FIRST SET OF INFORMATION REQUESTS OF
THE ATTORNEY GENERAL
TO KEYSPAN ENERGY DELIVERY NEW ENGLAND

D.T.E. 06-9

Confidential Attachments

Dated: March 9, 2006
Respondent: Elizabeth D. Arangio

Information Request AG 1-1

Q. Please provide copies of all documents relating to the request for proposals ("RFP") associated with the competitive solicitation process outlined in the Testimony of Elizabeth D. Arangio, page 13. Include copies of all the initial request letter(s) sent to each bidder, any updates in those letters, original RFPs, modification or amendments to the RFPs, and any responses sent by the RFP recipients to the Company. Include in this response all evaluations, studies, reports, correspondence, e-mails, notes, presentation materials, and work papers related to the RFP response.

A. Attached are the following documents:

Attachment AG 1-1(a) – Request for Proposals Cover Letter

Attachment AG 1-1(b) – Request for Proposals

Attachment AG 1-1(c) – Supporting Documentation for RFP

Attachment AG 1-1(d) – RFP Response of [Coral] **(confidential attachment)**

Attachment AG 1-1(e) – RFP Response of [Tenaska] **(confidential attachment)**

Attachment AG 1-1(f) – RFP Response of [ConocoPhillips] **(confidential attachment)**

Attachment AG 1-1(g) – RFP Response of [MLCI] **(confidential attachment)**

Attachment AG 1-1(h) – Updated Responses to RFP **(confidential attachment)**

Attachment AG 1-1(i) – Copies of internal e-mails and memos relating to the RFP process and selection of short-list candidates. Please note that the updated responses to the RFP that were provided by email and did not include a separate attachment are provided in this Attachment. **(includes confidential material)**

Please note that the confidential information provided in this response is covered by the Motion for Confidentiality granted by the Department in this proceeding on February 27, 2006. Therefore, the Company is providing redacted attachments for the public record and has distributed a confidential version to the Department and the Attorney General (pursuant to a non-disclosure agreement). However, Attachment AG-1-1(i), pages 328 to 363, is not covered by the Motion for Confidentiality granted on February 27, and therefore, the Company has submitted a supplemental motion covering this attachment with today's filing.

June 17, 2005

Dear Bidder,

Boston Gas Company, Colonial Gas Company, and Essex Gas Company, each d/b/a KeySpan Energy Delivery New England by their agent KeySpan Corporate Services LLC ("KeySpan"), request your proposal to manage certain upstream gas supply, interstate transportation and underground storage assets, as well as provide the Company's city gate gas supply requirements associated with those gas supply, interstate transportation and underground storage assets for the period April 1, 2006 through and including March 31, 2008. At KeySpan's option, the arrangement could be extended for up to two additional one-year periods.

Enclosed find the Request for Proposals, with the following exhibits (either attached or to be provided upon receipt of two executed originals of the Confidentiality Agreement attached as Exhibit H, as noted):

Exhibit A Notice of Intent to Respond Form (attached),
Exhibit B Bidder Qualification Questionnaire (attached),
Exhibit C Gas Resource Portfolio Management and Gas Sales Agreement (to be provided upon receipt of Confidentiality Agreement),
Exhibit D Gas Supply, Transportation and Storage Assets (to be provided upon receipt of Confidentiality Agreement),
Exhibit E Tiered Pricing Structure (to be provided upon receipt of Confidentiality Agreement),
Exhibit F Storage Rule Curve (to be provided upon receipt of Confidentiality Agreement),
Exhibit G RFP Evaluation Criteria (attached), and
Exhibit H Confidentiality Agreement (attached).

Your bid is due by 5:00 p.m. EST July 15, 2005.

If you have any questions, please don't hesitate to contact me in writing by June 30, 2005 at jpradas@keyspanenergy.com . We will respond to your questions in writing by July 8, 2005. All questions and responses will be distributed to all potential bidders who have submitted a Notice of Intent to Respond Form (Exhibit A) and two executed originals of the Confidentiality Agreement (Exhibit H).

Please complete and return the Notice of Intent to Respond Form and Confidentiality Agreement on or before 4:00 p.m. EST June 30, 2005. While your response on the Notice of Intent to Respond Form is non-binding, your failure to return the form and the Confidentiality Agreement by June 30 means we will not send you subsequent correspondence about this RFP, including copies of all questions from potential bidders and our responses to those questions.

Regards,

Joseph G. Pradas
Director Strategic Execution and Compliance

enc.

Request For Proposals

For
Portfolio Management Services
On Behalf Of
Boston Gas Company, Colonial Gas Company,
And Essex Gas Company, All
D/B/A
KeySpan Energy Delivery New England

Dated: June 17, 2005

Table of Contents

REQUEST FOR PROPOSALS

Boston Gas Company, Colonial Gas Company and Essex Gas Company all d/b/a KeySpan Energy Delivery New England by their agent KeySpan Corporate Services LLC (collectively "KeySpan") seek proposals, through this Request for Proposals ("RFP"), for the provision of gas portfolio management services.

I. PROPOSAL SUBMISSION

All vendors are requested to complete the Notice of Intent to Respond Form on or before 4:00 p.m. EST on June 30, 2005. The Notice of Intent to Respond is attached hereto as Exhibit A. While your response on the Notice of Intent to Respond Form is non-binding, your failure to return the form by June 30 means we will not send you subsequent correspondence about this RFP, including copies of all questions from potential bidders and our responses to those questions.

In order to receive copies of Exhibits C, D, E, and F hereto, as well as copies of all questions from potential bidders and our responses to those questions, you must also complete, execute and return two (2) originals of the Confidentiality Agreement attached hereto as Exhibit H on or before June 30, 2005. This Request for Proposals is deemed confidential and shall be shown only to the Bidder's personnel who have a need for the information contained herein for the purposes of preparing the Bidder's response. Bidder may request that specific information contained in or relative to its response be treated by KeySpan on a confidential basis. Such a request shall be clearly stated on every page of the response on which confidential information may appear. KeySpan and its representatives shall take reasonable steps to protect information that is clearly identified as confidential from disclosure to third parties. Bidders should understand that KeySpan may deem it necessary to disclose confidential information regarding the Request for Proposals. Upon request by Bidder and at Bidder's expense, KeySpan shall request that, in connection with any submission to any governmental authority having jurisdictional or oversight responsibilities for KeySpan procurement activities, any information designated as confidential by the Bidder shall be afforded competitively sensitive and proprietary status under the applicable regulations and thus protected from disclosure to third parties; provided, however, that KeySpan does not guarantee that Bidder's information shall be granted such status. In no event shall KeySpan be liable for damages resulting from any inadvertent disclosure of confidential information.

Four (4) hard copies (in a sealed package or packages) and one electronic copy of your proposal are due no later than **5:00 pm** EST on **July 15, 2005**. All materials should be delivered to:

Joseph G. Pradas
Director Strategic Execution and Compliance
KeySpan
303 Merrick Road
Suite 501
Lynbrook, NY 11563
jpradas@keyspanenergy.com

Proposals received after this deadline will not be considered, nor will faxed proposals, whenever received. Interviews of the top-qualifying firms may be conducted at KeySpan's discretion.

All contact and questions with regard to this RFP must be made **only** through the KeySpan Selected Representative. Vendors are encouraged to contact the KeySpan Selected Representative with questions and/or clarifications that vendors may have regarding understanding and answering this RFP. No other contact regarding this RFP with parties within or associated with KeySpan will be allowed during the RFP period and will be grounds for disqualification.

For the purposes of this RFP, the KeySpan Selected Representative is:

Joseph G. Pradas
Director Strategic Execution and Compliance
KeySpan
303 Merrick Road
Suite 501
Lynbrook, NY 11563
jpradas@keyspanenergy.com

All questions regarding this RFP must be submitted in writing through email to jpradas@keyspanenergy.com on or before June 30, 2005, by 4:00 EST. **KeySpan will respond with written answers by July 8, 2005. KeySpan will provide all questions and responses to all potential bidders who have returned a Notice of Intent to Respond Form and Confidentiality Agreement.**

KeySpan will not reimburse Bidders for any expenses incurred in connection with this RFP including the costs of preparing the response and/or providing any additional information and travel expenses relating to an interview. All material that is submitted in response to this RFP will become the sole property of KeySpan.

II. PROPOSAL REQUIREMENTS

Following is a listing of the information to be included in the proposal. A proposal that does not include all of the information requested below shall be deemed non-responsive and subject to rejection. **The proposal must respond to all the areas listed below, in the order listed, and conclude with a separate section on Bidder's proposed fees/pricing to provide the services.**

A. Management and Qualifications

KeySpan contemplates negotiating a definitive agreement with a firm having demonstrated capability in cost-effective natural gas supply portfolio management and risk management and, where applicable, commodity transportation and storage. KeySpan believes it is appropriate that each Bidder state its qualifications in each of these and any other relevant areas as part of its bid submittal. KeySpan seeks verifiable information demonstrating financial strength and experience in the field of energy supply portfolio management, risk management, commodity transportation and storage. To that end, KeySpan requires that the Bidders:

1. Provide the name, title, address, telephone and fax numbers, and e-mail address of at least two individuals KeySpan should contact with respect to your proposal. Identify one of these individuals as the primary contact available to KeySpan throughout the RFP process.

2. Complete the Bidder Qualification Questionnaire attached hereto as Exhibit B.

B. Other

1. Identify any exceptions to the Agreement attached as Exhibit C and indicate suggested alternate language for the exceptions. The nature and extent of exceptions, if any, taken by a Bidder to the Agreement will be a factor considered by KeySpan when evaluating the proposals. In the absence of defined exceptions, your proposal will be accepted as in total compliance with these documents.

2. This RFP does not commit KeySpan to award a contract, pay any costs associated with the preparation of a proposal, or procure or contract for services of any kind whatsoever. KeySpan reserves the right, in its sole discretion, to accept or reject any or all responses to this RFP, to negotiate with any and all considered firms, or to cancel this RFP in whole or in part. KeySpan reserves the right to request additional information from any or all Bidders.

3. Your response to this RFP will serve as the basis for any agreement between the parties, and will represent a **firm offer** to provide to KeySpan the gas portfolio management services as detailed in this RFP and the attached exhibits. Statements made in your proposal are binding; therefore, a representative of your company that is authorized to do so must sign your proposal. Your firm is required to honor the price quote and other terms in your proposal until November 1, 2005. The price you quote must be inclusive of all hardware, software, services, and taxes required for performing the gas portfolio management services. If your price excludes certain fees or charges, you must provide a detailed list of fees with a complete explanation of the nature of these fees.

4. Prior to the time and date designated for receipt of proposals, any proposal already submitted may be modified or withdrawn by notice to the party receiving the proposals at the place designated for receipt of proposals. Such notice shall be in writing and signed by the Bidder prior to the date and time set for the receipt of proposals, and shall be so worded as not to reveal the key provisions, including but not limited to pricing terms, of the original proposal. Withdrawn proposals may be resubmitted, and modified proposals may be submitted, up to the date and time designated for the receipt of proposals provided that they are then fully in conformance with the RFP.

5. KeySpan may waive minor informalities or irregularities in a proposal that are merely a matter of form and not substance and the correction of which would not be prejudicial to other proposals. **Failure to submit a proposal on time will not be waived by KeySpan under any circumstance.**

C. Errors and Omissions in the RFP

If a vendor discovers any ambiguity, conflict, discrepancy, omission or other error in this RFP, it should immediately notify Joseph Pradas, in writing, of such error and request clarification or modification to the RFP.

If a Bidder fails to notify KeySpan of a known error or an error that reasonably should have been known prior to the final filing date for submission, the Bidder assumes the risk. If awarded the contract, the Bidder shall not be entitled to additional compensation or time by reason of the error or its late correction.

Should KeySpan find it necessary, it will make modifications to the RFP by addenda. Such modifications may be given by written notice to all parties who have been furnished an RFP.

III. OVERVIEW AND OBJECTIVE

Boston Gas Company, Colonial Gas Company, and Essex Gas Company all d/b/a KeySpan Energy Delivery New England operate in the Commonwealth of Massachusetts as regulated natural gas distribution utilities. As such, KeySpan is responsible for all aspects of the management of gas supply, transportation and storage assets that comprise its portfolio as well as the economic dispatch of liquefied natural gas ("LNG") storage. KeySpan's priority is the reliability of gas supply for its firm gas customers. KeySpan strives to achieve this on a least-cost basis.

KeySpan is responsible for: planning the long-term strategic and short-term daily optimization of its natural gas portfolio; procuring natural gas supplies for its utility customers; marketing gas supply and services to off-system customers (as part of maximizing the value of the portfolio for utility ratepayers); reconciling pipeline and supplier invoices; and performing other accounting and administrative activities. KeySpan's Unbundling Program requires mandatory assignment of capacity for marketers whose aggregation pools reach certain capacity thresholds and adjustments (additional assignment of capacity or recall of capacity) if the marketer's pool increases or decreases by a certain amount. The assignment program is based on a "slice of the system" approach under which each marketer is given a prorated share of each of KeySpan's contracts serving their aggregation pool. Recalls and reassignments of capacity when required are effective the first of each month.

KeySpan manages the natural gas requirements of approximately 820,000 natural gas customers whose consumption totals approximately 122 Bcf annually (normalized) with a 1.2 Bcf peak day.

KeySpan requests proposals for the provision of portfolio management services. The objective of the portfolio management agreement is to enable KeySpan to continue to provide reliable service to its gas customers at the least possible cost. The Agreement for these portfolio management services will have an initial term of two years commencing April 1, 2006, and an option, at KeySpan's discretion, to extend the term for up to two additional one-year periods. In connection with the use of KeySpan's gas supply, transportation and storage assets identified in Exhibit D attached hereto (the "Assets"), Bidders may propose a guaranteed payment to KeySpan, a sharing of net profits, a combination of the two, or any other similar arrangement in which value can be easily quantified.

IV. SCOPE OF SERVICES

KeySpan will assign or release to the successful Bidder ("Portfolio Manager") the Assets, unless the asset is identified on Exhibit D as "Company Managed," subject to KeySpan's ongoing right to modify the Assets. The Portfolio Manager shall provide bundled gas supply service to KeySpan pursuant to the Agreement through the use of the Assets and/or the use of other gas supply assets it owns or procures separately.

Subject to satisfaction of its requirements under the Agreement, Portfolio Manager shall have the right to utilize the Assets to generate additional revenues. In connection with the Assets, the Portfolio Manager shall be responsible for all day to day scheduling, nominations, notifications, risk management services, billing, payment and administration. Portfolio Manager shall be liable for all costs incurred in connection with the Assets during the term of the Agreement and shall be responsible for prompt payment of all invoices in connection therewith.

Without the express written consent of KeySpan, Portfolio Manager shall not amend or modify the Assets. Further, Portfolio Manager shall comply with all contractual requirements of the Assets and shall not take any action that will diminish the value of such Assets. In connection with its utilization of the Assets, Portfolio Manager shall comply with all laws, rules and regulations of the Federal Energy Regulatory Commission ("FERC"), the Massachusetts Department of Telecommunications and Energy ("DTE") and any other governmental or regulatory body having jurisdiction. Portfolio Manager shall provide KeySpan with such reports and documentation as KeySpan determines are required to satisfy KeySpan's internal accounting requirements, to satisfy requests by regulatory agencies, and as are otherwise deemed necessary by KeySpan. Bidders should include as part of their bid response package examples of the types of reports that they are willing and able to provide to KeySpan and the frequency with which those reports could be made available.

V. AGREEMENT

Gas Supply Obligations: Pursuant to the Agreement, Portfolio Manager shall be obligated to satisfy KeySpan's ("Buyer's") gas supply requirements as follows:

> Portfolio Manager will manage certain upstream gas supply, interstate transportation and underground storage assets and provide a bundled city gate service to meet Buyer's gas supply requirements associated with these assets over the Term. Additionally, upon hitting a storage ratchet based on Buyer's Paper Storage Balance, Seller shall remain obligated to sell and deliver up to Buyer's MDQ; however, in that event, Buyer may elect to satisfy its city gate requirements through the utilization of Company Managed Assets and/or the purchase from a third party up to Buyer's MDQ.
>
> Portfolio Manager will provide Buyer up to the total requirements on the Tennessee and Algonquin interstate pipelines (See Exhibit D). This MDQ may change on a monthly basis subject to Buyer's state-approved gas unbundling program.

Buyer will nominate to Portfolio Manager on a daily, intraday and monthly basis its city gate gas supply requirements associated with the released/assigned assets.

In each contract year during the Term, Portfolio Manager will (i) by October 31st, fill all of Buyer's storage requirements to at least 95% of the Storage Rule Curve, (ii) by December 1st, be at the Storage Rule Curve, and (iii) by the end of each Month thereafter up through and including April, maintain storage levels of no less than the lower of the Paper Storage Balance or the Storage Rule Curve. Portfolio Manager will be allowed to fall below these Storage Rule Curve requirements during any month so long as by the third business day prior to the end of such month the storage level meets or exceeds the lower of the Paper Storage Balance or the Storage Rule Curve.

Price: Buyer intends to pay Portfolio Manager for gas supply as follows:

a. Demand Charges – Buyer will reimburse Portfolio Manager for all demand charges associated with the Assets reasonably incurred and paid by Portfolio Manager in connection with the use of the Assets to meet Buyer's gas supply requirements.

b. Variable Charges – For gas delivered by Portfolio Manager pursuant to the Agreement, Buyer will pay Portfolio Manager in accordance with the Tiers and the order set by KeySpan for the Tiers as described in the Agreement. The Tiered Pricing Structure for April 1, 2006, and November 1, 2006 is attached hereto as Exhibit E.

c. Revisions - Buyer will have the right to revise the foregoing tiered pricing structure to reflect revisions in the Assets (*e.g.,* as assets terminate in the event contracts are not renewed) and/or significant market changes. Buyer will make any such revisions to the Tiered Pricing Structure on September 15th for the succeeding November through April period and monthly, May through October, during Bid Week. Such revisions may result in additions to or deletions from the Assets listed in Exhibit D.

Exhibit G sets forth the criteria upon which Bidders' responses will be evaluated.

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Exhibit A

Notice of Intent to Respond

All vendors are requested to complete the following form, indicating whether or not they intend to participate in KeySpan's RFP process **no later than 4:00 p.m. EST on June 30, 2005.**

Gas Resource Portfolio Management Services

To: Joseph G. Pradas
Director Strategic Execution and Compliance
KeySpan
303 Merrick Road, Suite 501
Lynbrook, NY 11563
jpradas@keyspanenergy.com
Fax (516) 256-2814

From: Company Name ______________________________

Company Address ______________________________

Contact Name ______________________________

City, State, Zip ______________________________

Phone ________________ Cell Phone________________

Fax ______________________

Email Address ______________________________

Vendor agrees to the terms outlined in the RFP. Vendor further acknowledges that KeySpan is in no way obligated to purchase any good or services until such time as contracts and agreements are executed, if indeed your firm is chosen for future consideration in the selection process. While your response on this form is non-binding, your failure to return the form by June 30, 2005 means KeySpan will not send you subsequent correspondence about this RFP, including copies of all questions from potential bidders and KeySpan's responses to those questions.

Please indicate whether or not you intend to submit a proposal to the RFP:

We intend to submit a proposal to the RFP no later than July 15, 2005:

YES____ NO_____

______________________________ ______________________________
Company Name Date

____
Contact Name & Title (please print)

Exhibit B

Bidder Qualification Questionnaire

1. Identify any prior or current work for Boston Gas Company, Colonial Gas Company, Essex Gas Company, or KeySpan Corporation, including any subsidiaries or affiliates.

2. Describe the team that will be assigned to this engagement, including past experience providing the same or similar services as requested in the RFP. Identify the individuals who will be involved and the primary role and responsibilities of each member. Provide resumes for these individuals.

3. Identify any subcontractors and agents that may be utilized as part of your firm's proposed team.

4. Identify any additional tasks (e.g., on-going or one-time) that your firm believes need to be covered in this engagement that were not identified in the Scope of Services section or the form of Gas Resource Portfolio Management and Gas Sales Agreement ("Agreement") attached hereto as Exhibit C . Describe why you believe each task is relevant.

5. Provide the name, address and telephone number of at least three references for whom you have provided similar services.

6. Discuss any past or present civil or criminal investigations, pertinent litigation and/or regulatory action involving your firm or any of its employees that could impact your firm's role or ability to perform the relevant services, including the strength of its financial commitments and guarantees. If none, include a statement that there are no past or present civil or criminal legal investigations, or pertinent litigation and/or regulatory actions that could impact your ability to serve in the required capacity.

7. List all mergers or acquisitions that your company has been a party to in the past five years. List all previous names under which business was conducted and the year the merger or acquisition was completed. State how these mergers or acquisitions have improved your organization's ability to operate and serve its customers.

8. State whether your company ever filed for bankruptcy. If it has, state when and explain.

9. Provide your company's Dun & Bradstreet DUNS number.

10. Provide evidence of your capabilities to create and maintain records and provide documentation that will permit KeySpan to meet its contractual and/or regulatory reporting requirements in a timely manner. KeySpan may perform an initial audit of each Bidder during the proposal evaluation process.

11. Provide information sufficient to establish suitable creditworthiness relative to the level of financial risk KeySpan would assume if it accepts your proposal. This information will be reviewed by KeySpan's Credit Department.

12. Provide your (or your guaranteeing parent's, if applicable) audited annual report and Form 10-K for the most recent full fiscal year and previous two years. If a Form 10-K is unavailable, provide documentation regarding investments, size and type of borrowings, ability to add additional debt and credit quality.

13. Areas of Expertise - Energy Supply Portfolio Management

Please describe in detail your organization's expertise and experience in the following areas:

a. Natural gas;

b. Upstream gas transportation and optimization of storage management;

c. Financial instruments and techniques used to manage risk involving:

    i. Natural gas; and
    ii. Basis for natural gas.

d. Gas and utility asset management and interface with related operations personnel including type of assets managed, size, activity, length of agreement, location and any other pertinent information;

e. Information systems support - gas and risk management transactions;

f. Logistical or back office support;

g. FERC and Massachusetts DTE regulatory matters; and

h. Economic analysis in commodity markets.

14. Strengths

Please address the strengths of your organization as follows:

a. Describe how you would integrate your current market participation in the Northeastern United States with the services under this RFP;

b. Describe your organization's strengths as an energy manager in the Northeast energy market;

c. Provide information relating to specific energy assets owned, including location, quantity and any other pertinent information;

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d. Describe your organization's size in relation to other gas and power marketers and the importance of relative size to successfully provide energy supply portfolio management services;

e. Describe what sets your organization apart from other large energy service companies;

f. Describe any recent innovations initiated by your organization in the area of gas supply or derivatives;

g. Describe any unique concepts by which your organization would provide the services under this RFP to KeySpan, including the enhanced value such concepts would bring to the KeySpan companies; and

h. Describe the size and experience of your gas scheduling department, specifically in the Northeast.

15. Experience Level

a. State the energy commodity (gas, power, oil and emissions) that your organization has the least experience trading or that provides you with the smallest profit margin; and

b. Describe the assets that your organization requires to strengthen its position in the energy marketplace.

16. Corporate Strategy

Please address the corporate strategy and experience of your organization as follows:

a. Discuss your organization's strategy and experience regarding services for other energy companies;

b. Describe the optimum corporate structure and asset portfolio of a premier Northeast energy trading entity;

c. Describe the optimum corporate culture of an energy manager providing the services under this RFP;

d. Describe how you would perform the services under this RFP to compete successfully in the Northeast energy marketplace;

e. Describe what authority level limits will apply to your organization from any parent entity, if any, regarding your performance of the services under this RFP.

17. Regulatory Matters

a. Describe any concerns that your organization would have if it were required to abide by KeySpan's existing regulatory constraints.

b. Describe your organization's knowledge of gas and electric utility rates and ratemaking practices.

18. Conflicts of Interest

a. Identify all potential conflicts of interest, including any related regulatory issues, which might arise in connection with the performance of the proposed services under this RFP, including, but not limited to:

i. management of other energy assets in Northeast region;

ii. management of your organization's assets; and

iii. sales or management of gas and/or electric within KeySpan's service territory and neighboring areas; and

b. Describe potential methods to eliminate or otherwise address the conflicts of interest and related regulatory compliance issues described above.

19. Additional Information

a. Please offer any additional information that will help KeySpan differentiate your organization from others as far as the value you bring to the proposed portfolio management arrangement.

b. Describe the type of gas management system that you use

c. Describe the type of risk management system that you use.

20. Transition Plans

Describe your plans to transition the Portfolio Manager function to your organization for the term of the agreement. Describe your plans to transition this function to another organization once the agreement has terminated.

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Exhibit C

Form of Service Agreement

To Be Provided Upon Receipt of Confidentiality Agreement

Exhibit D
Gas Supply, Transportation and Storage Assets

To Be Provided Upon Receipt of Confidentiality Agreement

Exhibit E
Tiered Pricing Structure

To Be Provided Upon Receipt of Confidentiality Agreement

Exhibit F
Storage Rule Curve

To Be Provided Upon Receipt of Confidentiality Agreement

Exhibit G

RFP Evaluation Criteria

Criteria	Points
Price (Least Cost Planning)	35
Experience	20
Flexibility	15
Contract Exceptions (minimum #)	10
Creditworthiness	20
Total	**100**

Price:

- Favorable commodity pricing terms to meet firm sendout requirements
- Management Fee payable to KeySpan

Experience:

- Overall asset management experience
- Familiarity with the Northeast market
- Ability to meet generally accepted industry reporting requirements

Flexibility:

- Diversity of supply, including reserves and production area resources
- Ability to rely on additional resources to ensure supply reliability
- Access to storage
- Peaking services
- Lack of conflict of interest

Contract Exceptions:

- Fewest number of material contract exceptions

Creditworthiness:

- Financial integrity
- Financial strength
- Standard & Poor's and Moody's credit rating
- Reputation

Exhibit H

CONFIDENTIALITY AGREEMENT

This Confidentiality Agreement ("Agreement"), entered into and effective as of the day of _____, 2005 (the "Effective Date"), is by and between __________, a __________ corporation ("__________"), with its principal place of business at ____, and Boston Gas Company, Colonial Gas Company, and Essex Gas Company, all d/b/a KeySpan Energy Delivery New England ("KeySpan"), **with its principal place of business located at 52 Second Avenue, Waltham, MA, 02451 by its agent KeySpan Corporate Services LLC. __________ and KeySpan shall be referred to individually as a "Party" and collectively as the "Parties" in this Agreement.**

Recitals:

A. The Parties wish to discuss the possibility of __________ providing portfolio management services to KeySpan (the "Proposed Undertaking").

B. The Parties expect that in furtherance of or in connection with the Proposed Undertaking, the Parties will receive Confidential Information (as defined below) from each other.

C. The Parties wish to define in this Agreement their respective rights and obligations with respect to Confidential Information.

In consideration of the mutual agreements, covenants, and conditions contained herein, the Parties agree as follows:

1. Confidential Information. As used herein, the term "Confidential Information" means information that is of a non-public and confidential nature to the Party disclosing such information (the "Disclosing Party") revealed directly or indirectly to Receiving Party in connection with the Proposed Undertaking, whether written, electronic, graphic or oral, including, but not limited to any and all information and data exchanged as part of the Request for Proposals for Portfolio Management Services on Behalf of Boston Gas Company, Colonial Gas Company, and Essex Gas Company, all d/b/a KeySpan Energy Delivery New England, and any and all information and data, technical or non-technical relating to the Disclosing Party's products; past, present and future sales, marketing, and trading information; business strategies; nominating, scheduling, accounting, billing, and reporting data; and commercial and financial trade secrets.

2. Exceptions. Notwithstanding the provisions of Section 1, the term "Confidential Information" shall not include any information received by a Party (the "Receiving Party") from the Disclosing Party, to the extent such information:

(i) was, prior to disclosure by the Disclosing Party, available to the Receiving Party on a non-confidential basis, or was otherwise in the public domain other than through the act or omission of the Receiving Party or its Representatives;

(ii) is or becomes, at the time of or following disclosure, available to the Receiving Party or the public (other than as a result of disclosure in violation of this Agreement) from a source other than the Disclosing Party; or

(iii) is independently developed by the Receiving Party without relying on the Confidential Information, as evidenced by written records.

3. **Limitations on Disclosure.** The Receiving Party may not disclose Confidential Information received hereunder to any other person or party, except that Confidential Information may be disclosed (i) when requested or required to be disclosed to a third party to whom the Receiving Party is or becomes legally compelled by any governmental, judicial, or regulatory authority with jurisdiction to make disclosure of Confidential Information (*e.g.*, by order, deposition, interrogatory, investigative demand, request for documents, subpoena or similar process or rule of procedure, statute, regulation or at common law), but only to the extent such disclosure is actually required, and (ii) to any of the Receiving Party's affiliates, shareholders, members, partners, directors, officers, employees, agents, contractors, subcontractors, necessary consultants, counsel, advisors, accountants or lenders (collectively, "Representatives") who are directly involved in and require access to such Confidential Information in connection with the Proposed Undertaking.

In the event the Receiving Party is required to disclose Confidential Information under (i) above, the Receiving Party shall inform the requesting party of the confidentiality requirements of this Agreement prior to disclosing any such Confidential Information; shall give prompt notice of the existence, terms and circumstances surrounding such request or requirement to the Disclosing Party and afford the Disclosing Party opportunity to review the information so that the Disclosing Party may seek, at its sole cost and expense, a protective order or other relief in the appropriate forum and/or waive compliance by the Receiving Party with the terms of this Agreement; shall limit any such disclosure to the scope of the requirement or request; and shall exercise its reasonable efforts to obtain reliable assurance that confidential treatment will be accorded such Confidential Information.

Each of the Parties agrees that (x) any of its Representatives to whom Confidential Information is or may be disclosed will be informed of the confidential or proprietary nature thereof and will be required to abide by the Receiving Party's obligations under this Agreement, and (y) each Party shall be responsible for any unauthorized use or disclosure of Confidential Information by any of its Representatives.

4. **Limitations on Use.** Absent the express written consent of the Disclosing Party, Confidential Information disclosed hereunder may be utilized by the Receiving Party only for the purpose of evaluating possible transactions in connection with and negotiating the possible terms of agreements relating to the Proposed Undertaking and for no other purpose. Upon disclosing Confidential Information to Representatives, the Receiving Party shall advise same of the confidential nature thereof, and shall take necessary and reasonable precautions to prevent the unauthorized disclosure of such information by such parties.

5. **Reservation of Rights.** The Parties agree that: (i) all rights to Confidential Information disclosed pursuant to this Agreement are reserved to the Disclosing Party; (ii) nothing in this

Agreement shall diminish or restrict in any way the rights that each Party has to market, lease, sell, or otherwise make available its products and services to any customer or third party; and (iii) no license or conveyance of any rights under any discoveries, inventions, or patents is granted or implied by either Party to the other.

6. **Disclosure Rights.** Notwithstanding anything to the contrary in this Agreement, the Disclosing Party represents and warrants that it may rightfully disclose or make available all Confidential Information disclosed to the Receiving Party hereunder without violating or being in breach of any contractual, fiduciary or other obligation to any person.

7. **No Warranties**. Neither the Disclosing Party nor any of its Representatives make any representation, warranty or covenant as to the Confidential Information, including, without limitation, the accuracy or completeness of the Confidential Information or fitness of the Confidential Information for a particular use. The Receiving Party acknowledges that the Disclosing Party and its Representatives shall not have any liability to the Receiving Party or its Representatives resulting from the provision to or use by the Receiving Party or its Representatives of Confidential Information.

8. **No Obligation to Disclose or Proceed.** This Agreement does not and shall not be construed to obligate either Party to disclose Confidential Information to the other Party. Disclosure of Confidential Information shall be at the sole discretion of the Disclosing Party. The Parties hereto understand and agree that unless and until a definitive agreement has been executed and delivered, no contract or agreement providing for a transaction between the Parties shall be deemed to exist between the Parties, and neither Party will be under any legal obligation of any kind whatsoever with respect to such transaction by virtue of this or any written or oral expression thereof, except, in the case of this Agreement, for the matters specifically agreed to herein. For purposes of this Agreement, the term "definitive agreement" does not include an executed letter of intent or any other preliminary written agreement or offer unless specifically so designated in writing and executed by both Parties. This Agreement neither obligates a Party to deal exclusively with the other Party nor prevents a Party or any of its affiliates from competing with the other Party or any of its affiliates.

9. **Return of Confidential Information.** The Receiving Party, upon the Disclosing Party's written request, shall return to the Disclosing Party as soon as practicable, but in no event later than thirty (30) days from the date such request is received, all Confidential Information provided to the Receiving Party and in its possession or in the possession of its Representatives. In lieu of returning the Confidential Information, the Receiving Party, in its sole discretion, may elect to destroy all Confidential Information in its possession and in the possession of its Representatives, and shall certify such destruction in writing to the Disclosing Party. Notwithstanding the foregoing, (i) the Receiving Party shall not be obligated to return or destroy any documents created by it that reflect or refer to Confidential Information and (ii) the Receiving Party may create and retain an abstract describing the type of Confidential Information that it receives sufficient to document the nature and scope of the Parties' discussions under this Agreement. Any such documents or abstract so created will be subject to the other restrictions of this Agreement,

10. Governing Law. This Agreement, and all claims arising hereunder, shall be governed by and construed under the laws of the State of Massachusetts, without regard to principles of conflicts of laws calling for application of the laws of another state.

11. Injunctive Relief. The Receiving Party acknowledges and agrees that, without prejudice to any other right and remedy available to the Disclosing Party, the Disclosing Party shall be entitled (i) to apply for injunctive relief and specific performance of the terms hereof, and (ii) to recover all reasonable costs and expenses, including attorneys' fees and other legal costs, from the Receiving Party if awarded for legal action taken in connection with any breach or threatened breach by the Receiving Party or its Representatives of any of the provisions of this Agreement. The Parties agree and acknowledge that monetary damages and other forms of legal damages would be inadequate in the event of a breach of this Agreement.

12. No Consequential Damages. ANY OTHER PROVISION OF THIS AGREEMENT NOTWITHSTANDING, NEITHER PARTY SHALL BE LIABLE TO THE OTHER PARTY HEREUNDER FOR ANY SPECIAL, INDIRECT, INCIDENTAL, CONSEQUENTIAL, PUNITIVE OR EXEMPLARY DAMAGES OF ANY KIND OR CHARACTER, INCLUDING LOST PROFIT OR LOSS OF BUSINESS OPPORTUNITY, UNDER WHATEVER CAUSE OF ACTION, WHETHER CONTRACT, TORT (INCLUDING NEGLIGENCE, WHETHER SOLE, JOINT OR CONCURRENT, OR STRICT LIABILITY) OR INDEMNITY, ARISING OUT OF THIS AGREEMENT.

13. No Waiver. Subject to applicable statutes of limitation, no failure or delay, in whole or in part, by the Disclosing Party in exercising any right hereunder shall operate as a full or partial waiver of such right.

14. Entire Agreement. This Agreement represents the entire agreement of the Parties concerning the subject matter hereof and supersedes all prior agreements between the Parties, and no other agreement, written or oral, exists between the Parties concerning the subject matter hereof.

15. No Third Party Beneficiaries. This Agreement is intended for the benefit of the Parties hereto and is not intended to and does not confer any benefit to third parties.

16. Amendments. No amendment, modification or change to this Agreement shall be enforceable unless reduced to writing and executed by both Parties. This Agreement comprises the full and complete agreement of the Parties hereto with respect to the subject matter hereof and supersedes and cancels all prior communications, understandings and agreements between the Parties hereto, whether written or oral, expressed or implied with respect to the subject matter hereof.

17. Assignment. This Agreement may not be assigned by either Party without the prior written consent of the other Party, which consent shall not be unreasonably withheld, conditioned or delayed, provided however that this Agreement may be assigned by a Party without the consent of the other Party to any subsidiary or affiliate of the assigning Party, provided that the assignor shall not be released from the terms and conditions hereof. Upon any assignment made in compliance with this Section 17, this Agreement shall inure to and be binding upon each assignee of the assigning Party.

18. **Multiple Counterparts.** This Agreement may be executed in counterparts, each of which shall be deemed to be an original and all of which shall constitute one and the same document.

19. **Notices.** Any notice or other communications required or permitted to be given pursuant to this Agreement shall be confirmed in writing and shall be deemed properly given when hand delivered; sent by overnight mail service; mailed certified mail, return receipt requested, or transmitted by facsimile with date and sending Party identified to the following addresses:

Attn:
Title:

____

Address:
Address:
Telephone:
Facsimile:

For KeySpan:

Attn: **Joseph G. Pradas**
Director Strategic Execution and Compliance
KeySpan
303 Merrick Road
Suite 501
Lynbrook, NY 11563
jpradas@keyspanenergy.com
Telephone: (516) 596-3520
Facsimile: (516) 256-2814

With a Copy to: **KeySpan Corporate Services LLC**
175 East Old Country Road
Hicksville, New York 11801
Attn: Assistant General Counsel Commercial Transactions
Telephone: (516) 545-3745
Facsimile: (516) 545-5029

20. **Term and Survival.** This Agreement shall be in effect commencing on the effective date hereof for a period of two (2) years unless superseded at an earlier date by the confidentiality provisions of a definitive agreement.

IN WITNESS WHEREOF, the Parties have entered into this Agreement effective as of the Effective Date.

____________	BOSTON GAS COMPANY, COLONIAL GAS COMPANY, AND ESSEX GAS COMPANY ALL D/B/A KEYSPAN ENERGY DELIVERY NEW ENGLAND, BY THEIR AGENT KEYSPAN CORPORATE SERVICES LLC
By: ______________________	By: ______________________
Name: ______________________	Name: ______________________
Title: ______________________	Title: ______________________

00036

Confidential Attachments
Removed:

D, E, F, G, H

Cheryl M. Kimball

-------- Original Message --------
Subject: Team Meeting - NE Insourcing Initiative
Date: Wed, 01 Jun 2005 15:32:45 -0400
From: Ann Marie Levine <alevine@keyspanenergy.com>
Organization: KeySpan
To: John V Vaughn <jvaughn@keyspanenergy.com>, tkain <tkain@keyspanenergy.com>, MARK J LEIPPERT <mleippert@keyspanenergy.com>, STEPHEN A MC CAULEY <smccauley@keyspanenergy.com>, Thomas P ONeill <toneill@keyspanenergy.com>, Dino C Papetti <dpapetti@keyspanenergy.com>, "John E. Allocca" <jallocca@keyspanenergy.com>, CECIL BROOKS <cbrooks@keyspanenergy.com>, "Nancy C. Cianflone" <ncianflone@keyspanenergy.com>, "Nancy G. Culliford" <nculliford@keyspanenergy.com>, Jennifer Feinstein <jfeinstein@keyspanenergy.com>, "Theodore E Poe Jr." <tpoe@keyspanenergy.com>, Lori Ramos Marilla <lmarilla@keyspanenergy.com>, "Melissa A. Reges" <mreges@keyspanenergy.com>, "M. Margaret Fabic" <mfabic@keyspanenergy.com>, James G Holodak Jr <jholodak@keyspanenergy.com>, Richard A Visconti <rvisconti@keyspanenergy.com> CC: Michael A Walker <mwalker@keyspanenergy.com>, RONALD LUKAS <rlukas@keyspanenergy.com>, Richard A Rapp Jr <rrapp@keyspanenergy.com>, Donna Laura <dlaura@keyspanenergy.com>, NANCY NIEVES <nnieves@keyspanenergy.com>

Hi all,

Joe Pradas would like to invite you to a team meeting on Friday, June 3 at 10:30am. The meeting will be videoconferenced in Waltham, Room 21-24 in MetroTech and the West Conference room in the 100 building in Hicksville. The call in number for anyone who can not attend in person is 718-403-6130, Conference ID 630467.

If you have any questions, please give me a call at 516-596-3503 or send me an e-mail.

Thanks.

Ann Marie

Cheryl M. Kimball

-------- Original Message --------
Subject: Re: Team Meeting - NE Insourcing Initiative
Date: Wed, 08 Jun 2005 16:24:52 -0400
From: Ann Marie Levine <alevine@keyspanenergy.com>
Organization: KeySpan
To: John V Vaughn <jvaughn@keyspanenergy.com>, tkain <tkain@keyspanenergy.com>, MARK J LEIPPERT <mleippert@keyspanenergy.com>, STEPHEN A MC CAULEY <smccauley@keyspanenergy.com>, Thomas P ONeill <toneill@keyspanenergy.com>, Dino C Papetti <dpapetti@keyspanenergy.com>, "John E. Allocca" <jallocca@keyspanenergy.com>, CECIL BROOKS <cbrooks@keyspanenergy.com>, "Nancy C. Cianflone" <ncianflone@keyspanenergy.com>, "Nancy G. Culliford" <nculliford@keyspanenergy.com>, Jennifer Feinstein <jfeinstein@keyspanenergy.com>, "Theodore E Poe Jr." <tpoe@keyspanenergy.com>, Lori Ramos Marilla <lmarilla@keyspanenergy.com>, "Melissa A. Reges" <mreges@keyspanenergy.com>, Cynthia R Clark <cclark@keyspanenergy.com>, James G Holodak Jr <jholodak@keyspanenergy.com> CC: Richard A Visconti <rvisconti@keyspanenergy.com>, Michael A Walker <mwalker@keyspanenergy.com>, RONALD LUKAS <rlukas@keyspanenergy.com>, Richard A Rapp Jr <rrapp@keyspanenergy.com>, Donna Laura <dlaura@keyspanenergy.com>, NANCY NIEVES <nnieves@keyspanenergy.com>, Joseph F Bodanza Jr <jbodanza@keyspanenergy.com>, ALICIA HERNANDEZ <ahernandez@keyspanenergy.com>, Joseph G Pradas <jpradas@keyspanenergy.com> References: <429E0D5D.5010807@keyspanenergy.com>

> Hi all,
>
> Joe Pradas is scheduling another team meeting on Monday, June 13 at
> 12:30pm. The meeting will be videoconferenced in Room 21-24 in
> MetroTech, the West Conference room in the 100 building in Hicksville
> and I am still waiting for a call back on a conference room in Waltham
> There will be a call in number also and the number is 718-403-6130,
> Conference ID 630467. Lunch will be provided in MetroTech and
> Hicksville.
>
> If you have any questions, please give me a call at 516-596-3503 or send
> me an e-mail.
>
> Thanks.
>

> Ann Marie
>

Cheryl M. Kimball

-------- Original Message --------
Subject: Re: Mass. RFP - Potential List of Bidders
Date: Mon, 13 Jun 2005 11:42:58 -0400
From: Cecil Brooks <cbrooks@keyspanenergy.com>
Organization: KeySpan
To: Joseph Pradas <jpradas@keyspanenergy.com>
CC: Lori Ramos Marilla <lmarilla@keyspanenergy.com>, James G Holodak Jr <jholodak@keyspanenergy.com>, Nancy Culliford <nculliford@keyspanenergy.com>, Thomas P ONeill <toneill@keyspanenergy.com>, Dino C Papetti <dpapetti@keyspanenergy.com>, "Theodore E Poe Jr." <tpoe@keyspanenergy.com> References: <42A7446F.9010209@keyspanenergy.com>

Joe,

Please see the attached file with the ratings. Let me know if there are any questions. Thanks.

Joseph Pradas wrote:

> Attached is a list of potential bidders for the Mass RFP for Portfolio
> Management Services.
>
> Please review and advise as quickly as possible re: credit status (S&P
> and Moody) of each bidder so as to include/exclude from the final list.
> It goes without saying that we would only accept investment grade
> companies for consideration.
>
> Thanks.
>
> Joe
>
>
>

Massachusetts RFP for Portfolio Management Services
List of Potential Bidders

06/08/05

Source:

- Gas Daily (March 14, 2005)
  Top North American Gas Marketers

The ratings below are for Standard & Poor's and Moody's, respectively.

Unrated companies and companies rated below investment grade by Standard & Poor's and/or Moody's are in bold italics. In addition, please note that in some instances the exact legal name of the rated entity has been added next to the original name that was sent to Credit Operations for review.

1. BP -- BP Corporation of North America: AA+/Aa1
2. ConocoPhillips – ConocoPhillips Company: A-/A3
3. Sempra – Sempra Energy Company: BBB+/Baa1
4. Coral (Shell) – Coral Energy Holding LP: A-/Not Rated
5. ***Nexen: Not Rated/Not Rated***
6. Cinergy – Cinergy Corp.: BBB+/Baa2
7. ChevronTexaco -- Chevron Texaco Corp.: AA/Aa2
8. ***Tenaska: Not Rated/Not Rated***
9. ***Louis Dreyfus Energy Services: Not Rated/Not Rated***
10. Oneok – Oneok Corp.: BBB+/Baa1
11. EnCana – Encana Corp.: A-/Baa2
12. ExxonMobil – ExxonMobil Corp.: AAA/Aaa
13. Devon – Devon Energy Corp.: BBB/Baa2
14. ***Calpine - Calpine Corp. B-/B3***
15. Sequent – Not Rated/Not Rated. Parent AGL Resources: A-/Baa1
16. ***Wlliams – Williams Companies: B+/B3***
17. ***Amerada Hess: BBB-/Ba1***
18. Burlington resources: BBB+/Baa1
19. ***El Paso Merchant Energy: Not rated/Not Rated. Parent El Paso Corp.: B/Caa2***
20. Anadarko – Anadarko Petroleum Corp.: BBB+/Baa1
21. ***Centerpoint Energy: BBB/Ba2***
22. ***Enserco: Not Rated/Not Rated***
23. Marathan – Marathon Oil Corp: BBB+/Baa1
24. ***Western Gas Resources: Not Rated/Not Rated***

- Expressed Interest

1. Constellation – Constellation Energy Group: BBB+/Baa1
2. Detroit Edison Energy – Detroit Edison Co.: BBB/Baa1

- Financial houses which are active in gas market and/or KeySpan is exploring alternate asset management services providers

1. UBS Warburg: AA+/Aa2
2. Merrill Lynch: A+/Aa3
3. Morgan Stanley: A+/Aa3
4. Deutsche Bank: AA-/Aa3

Cheryl M. Kimball

-------- Original Message --------
Subject: Final List of Potential Bidders
Date: Tue, 14 Jun 2005 09:41:22 -0400
From: Joseph Pradas <jpradas@keyspanenergy.com>
Organization: KeySpan
To: Nancy Culliford <nculliford@keyspanenergy.com>, Dino C Papetti <dpapetti@keyspanenergy.com>

FYI. Attached is the final list of potential bidders.

joe

Massachusetts RFP for Portfolio Management Services
List of Potential Bidders

06/08/05

Revised 6/14/05

Source:

- Gas Daily (March 14, 2005)
  Top North American Gas Marketers

The ratings below are for Standard & Poor's and Moody's, respectively.

Note:
Lowest Investment Grade Ratings:
S&P: BBB-
Moody's: Baa3

1. BP -- BP Corporation of North America: AA+/Aa1
2. ConocoPhillips – ConocoPhillips Company: A-/A3
3. Sempra – Sempra Energy Company: BBB+/Baa1
4. Coral (Shell) – Coral Energy Holding LP: A-/Not Rated
5. Cinergy – Cinergy Corp.: BBB+/Baa2
6. ChevronTexaco -- Chevron Texaco Corp.: AA/Aa2
7. Oneok – Oneok Corp.: BBB+/Baa1
8. EnCana – Encana Corp.: A-/Baa2
9. ExxonMobil – ExxonMobil Corp.: AAA/Aaa
10. Devon – Devon Energy Corp.: BBB/Baa2
11. Sequent – Not Rated/Not Rated. Parent AGL Resources: A-/Baa1
12. Burlington resources: BBB+/Baa1
13. Anadarko – Anadarko Petroleum Corp.: BBB+/Baa1
14. Marathan – Marathon Oil Corp: BBB+/Baa1

- Expressed Interest

1. Constellation – Constellation Energy Group: BBB+/Baa1
2. Detroit Edison Energy – Detroit Edison Co.: BBB/Baa1
3. Tenaska: (Privately Held) Not rated
4. Cargil: (Privately Held) Not rated

- Financial houses which are active in gas market and/or KeySpan is exploring alternate asset management services providers

1. UBS Warburg: AA+/Aa2
2. Merrill Lynch: A+/Aa3
3. Morgan Stanley: A+/Aa3
4. Deutsche Bank: AA-/Aa3

Note: Companies deleted from the Gas daily list of "Top North American Gas Marketers" are either not rated or below investment grade.

Formatted: Underline

Deleted: Unrated companies and companies rated below investment grade by Standard & Poor's and/or Moody's are in bold italics. In addition, please note that in some instances the exact legal name of the rated entity has been added next to the original name that was sent to Credit Operations for review. ¶

Deleted: <#>*Nexen: Not Rated/Not Rated*¶

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Deleted: <#>*Tenaska: Not Rated/Not Rated*¶
<#>*Louis Dreyfus Energy Services: Not Rated/Not Rated*¶

Deleted: <#>*Calpine - Calpine Corp. B-/B3*¶

Deleted: <#>*Wlliams – Williams Companies: B+/B3*¶
<#>*Amerada Hess: BBB-/Ba1*¶

Deleted: <#>*El Paso Merchant Energy: Not rated/Not Rated. Parent El Paso Corp.: B/Caa2* ¶

Deleted: <#>*Centerpoint Energy: BBB/Ba2*¶
<#>*Enserco: Not Rated/Not Rated*¶

Deleted: *Western Gas Resources: Not Rated/Not Rated*¶
¶

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Cheryl M. Kimball

-------- Original Message --------
Subject: Bidder's list contacts - REVISED
Date: Fri, 17 Jun 2005 12:10:23 -0400
From: Dino Papetti <dpapetti@keyspanenergy.com>
Organization: KeySpan Energy
To: PRADAS, Joseph G <jpradas@keyspanenergy.com>, LEIPPERT, Mark J <mleippert@keyspanenergy.com>, MC CAULEY, Stephen A <smccauley@keyspanenergy.com>, Culliford, Nancy G. <nculliford@keyspanenergy.com>, FEINSTEIN, Jennifer B <jfeinstein@keyspanenergy.com>, Poe Jr., Theodore E <tpoe@keyspanenergy.com>

Added Burlington Resources and Marathon Oil.

Dino

	Company	Contact	Office	Fax	Email
1	Anadarko	Wanda Marcell 1200 Timberloch Place The Woodlands, Texas 77380	(832) 636-7155	(832) 636-7181	wanda_marcell@anadarko.com
2	BP Energy	Paul Mugridge Manager Market Development BP Energy 501 Westlake Park Blvd. Houston, TX 77079	(281) 366-2567	(281) 366-4969	paul.mugridge@BP.com
3	Burlington Resources	Dan McAstocker Burlington Resources Canada Ltd. 2100 - 250 6th S.W. Calgary, Alberta T2P-3H7	(403) 260-8057	(403) 269-8236	DMcAstocker@br-inc.com
4	Cargill	Craig Adams Director, Marketing & Business Development Cargill Power & Gas Markets 12700 Whitewater Dr. Minnetonka, MN 55343-9439	(952) 984-3301	(952) 984-3607	craig_adams@cargill.com
5	Chevron Texaco	Don Cullum Regional Director - Gulf Coast Natural Gas Marketing - U.S. Chevron Natural Gas 1500 Louisiana Street, Third Floor Houston, TX 77002	(832) 854-5032	(832) 854-3293	doncullum@chevrontexaco.com
6	Cinergy	Chris Fischer - Director, Origination Cinergy Marketing & Trading, LP 1100 Louisiana St, Suite 4900 Houston, TX 77002	(713) 393-6846	(713) 890-3134	chris.fischer@cinergy.com
7	Conoco Phillips	Jeff Brant Director, NE Origination ConocoPhillips Gas & Power 5795 Widewaters Parkway #201 DeWitt, NY 13214	(315) 453-7353	(315) 453-7355	jeff.brant@conocophillips.com
8	Constellation	David Dahlem 23 Franklin Woods Road Somers, Ct 06071	(860) 763-5015	(860) 763-5016	david.dahlem@constellation.com
9	Coral (Shell)	Lisset Garza Shell Trading Gas & Power 909 Fannin St. Houston, TX 77010	(713) 767-5470	(713) 265-5470	lgarza@coral-energy.com
10	Deutsche Bank	Allan Kessler Deutsche Bank AG New York 60 Wall Street 5th Floor New York, NY 10005	(212) 250-8693		allan.kessler@db.com
11	Devon	Ken Ballard 20 North Broadway, BOC 7.16 Oklahoma City, OK 73102-8260	(405) 228-8285	(405) 228-8372	ken.ballard@dvn.com
12	DTE Energy	Sharon Crow East Origination DTE Energy Trading 414 S. Main Street Suite 200 Ann Arbor, MI 48104	(734) 887-2135	(734) 887-2104	crows@dteenergy.com

	Company	Contact	Office	Fax	Email
13	EnCana	Haig Vejprava Director of Marketing 1800, 855 2nd Street S.W. P.O. Box 2850 Calgary, Alberta T2P 2S5	(403) 645-4316		haig.vejprava@encana.com
14	ExxonMobil	Guangtao Zhu ExxonMobil Gas & Power Marketing 800 Bell Street, Room 3562R Houston, TX 77002	(713) 656-6297	(713) 656-2727	guangtao.zhu@exxonmobil.com
15	Marathon Oil	Jim Bowden Marathon Oil P.O. Box 3128 Houston, TX 77253-3128	(713) 296-3700	(713) 296-4481	jrbowden@marathonoil.com
16	Merrill Lynch	David Stratton Lon Tiemann Chris Beggins 20 East Greenway Plaza Suite 700 Houston, TX 77046	(713) 544-4400 (713) 544-7758 (713) 544-7761		david_stratton@ml.com lon_tiemann@ml.com chris_beggins@ml.com
17	Morgan Stanley	Robert Faitell Morgan Stanley Trading Floor 2000 Westchester Ave. Purchase, NY 10577	(914) 225-1460		robert.faitell@morganstanley.com
18	ONEOK	Phill May Director of Origination - Northeast Region ONEOK Energy Services 100 W. Fifth Street Suite 1600 Tulsa, OK 74103-4298	(918) 591-5169	(918) 591-5130	Phill.May@oneok.com
19	Sempra	Scott La Shelle Director Sempra Energy Trading Corp. 58 Commerce Rd. Stamford, CT 06902	(203) 355-5087		slashelle@sempratrading.com
20	Sequent	Pete Tumminello Sequent Energy Management 1200 Smith Street Suite 900 Houston, TX 77002	(832) 397-3742	(832) 397-1709	ptummine@sequentenergy.com
21	Sprague	Claude Peyrot 2 International Drive Suite 200 Portsmouth, NH 03801-6809	(603) 430-7254		cpeyrot@spragueenergy.com
22	Tenaska	Kristen Gould Manager, Marketing 3050, 300 - 5th Avenue S.W. Stock Exchange Tower Calgary, AB T2P 3C4	(403) 716-1382	(403) 716-1375	kgould@tmvgas.com
23	UBS Warburg	Patrice Thurston UBS Energy Desk 677 Washington Boulevard Stamford, CT 06901	(203) 719-8503	(203) 719-1056	patrice.thurston@ubs.com

Cheryl M. Kimball

-------- Original Message --------
Subject: Massachusetts Gas Portfolio - RFP for Management Services
Date: Fri, 17 Jun 2005 15:50:39 -0400
From: Joseph Pradas <jpradas@keyspanenergy.com>
Organization: KeySpan
To: Joseph F Bodanza Jr <jbodanza@keyspanenergy.com>, Richard A Rapp Jr <rrapp@keyspanenergy.com>, RONALD LUKAS <rlukas@keyspanenergy.com>, Michael A Walker <mwalker@keyspanenergy.com>, James G Holodak Jr <jholodak@keyspanenergy.com>, Richard A Visconti <rvisconti@keyspanenergy.com>, Cynthia Clark <cclark@keyspanenergy.com>, John V Vaughn <jvaughn@keyspanenergy.com>, Lori Ramos Marilla <lmarilla@keyspanenergy.com>, Elizabeth Danehy Arangio <earangio@keyspanenergy.com>, Nancy Culliford <nculliford@keyspanenergy.com>, "Theodore E Poe Jr." <tpoe@keyspanenergy.com>, Thomas P ONeill <toneill@keyspanenergy.com>, Dino C Papetti <dpapetti@keyspanenergy.com>, TERRENCE KAIN <tkain@keyspanenergy.com>, Mark J Leippert <mleippert@keyspanenergy.com>, Jennifer B Feinstein <jfeinstein@keyspanenergy.com>, Stephen McCauley <smccauley@keyspanenergy.com>, "John E. Allocca" <jallocca@keyspanenergy.com>, CECIL BROOKS <cbrooks@keyspanenergy.com>, "Nancy C. Cianflone" <ncianflone@keyspanenergy.com>, "Melissa A. Reges" <mreges@keyspanenergy.com>

Team,

Just letting you know that the RFP for providing management services for the Massachusetts gas portfolio has been finalized and will be FedEx to the bidders later today. For your information, attached is a copy of the cover letter, the RFP and the list of bidders (23 in total).

As you may recall, it is only after the Notice of Intent to Respond Form and the Confidentiality Agreement have been executed by the prospective bidders, that the other key exhibits, including the tier pricing schedules, and the proposed contract/agreement will be provided to the bidders. This being the case, we still have a "little" more time to finalize said documents, without adversely impacting our bid due date. We are targeting late Monday to accomplish this.

Thank you for the tremendous effort thus far in getting to this point in the RFP process.

Joe

June 17, 2005

Dear Bidder,

Boston Gas Company, Colonial Gas Company, and Essex Gas Company, each d/b/a KeySpan Energy Delivery New England by their agent KeySpan Corporate Services LLC ("KeySpan"), request your proposal to manage certain upstream gas supply, interstate transportation and underground storage assets, as well as provide the Company's city gate gas supply requirements associated with those gas supply, interstate transportation and underground storage assets for the period April 1, 2006 through and including March 31, 2008. At KeySpan's option, the arrangement could be extended for up to two additional one-year periods.

Enclosed find the Request for Proposals, with the following exhibits (either attached or to be provided upon receipt of two executed originals of the Confidentiality Agreement attached as Exhibit H, as noted):

Exhibit A Notice of Intent to Respond Form (attached),
Exhibit B Bidder Qualification Questionnaire (attached),
Exhibit C Gas Resource Portfolio Management and Gas Sales Agreement (to be provided upon receipt of Confidentiality Agreement),
Exhibit D Gas Supply, Transportation and Storage Assets (to be provided upon receipt of Confidentiality Agreement),
Exhibit E Tiered Pricing Structure (to be provided upon receipt of Confidentiality Agreement),
Exhibit F Storage Rule Curve (to be provided upon receipt of Confidentiality Agreement),
Exhibit G RFP Evaluation Criteria (attached), and
Exhibit H Confidentiality Agreement (attached).

Your bid is due by 5:00 p.m. EST July 15, 2005.

If you have any questions, please don't hesitate to contact me in writing by June 30, 2005 at jpradas@keyspanenergy.com . We will respond to your questions in writing by July 8, 2005. All questions and responses will be distributed to all potential bidders who have submitted a Notice of Intent to Respond Form (Exhibit A) and two executed originals of the Confidentiality Agreement (Exhibit H).

Please complete and return the Notice of Intent to Respond Form and Confidentiality Agreement on or before 4:00 p.m. EST June 30, 2005. While your response on the Notice of Intent to Respond Form is non-binding, your failure to return the form and the Confidentiality Agreement by June 30 means we will not send you subsequent correspondence about this RFP, including copies of all questions from potential bidders and our responses to those questions.

Regards,

Joseph G. Pradas
Director Strategic Execution and Compliance

enc.

<u>Request For Proposals</u>

For
Portfolio Management Services
On Behalf Of
Boston Gas Company, Colonial Gas Company,
And Essex Gas Company, All
D/B/A
KeySpan Energy Delivery New England

Dated: June 17, 2005

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REQUEST FOR PROPOSALS

Boston Gas Company, Colonial Gas Company and Essex Gas Company all d/b/a KeySpan Energy Delivery New England by their agent KeySpan Corporate Services LLC (collectively "KeySpan") seek proposals, through this Request for Proposals ("RFP"), for the provision of gas portfolio management services.

I. PROPOSAL SUBMISSION

All vendors are requested to complete the Notice of Intent to Respond Form on or before 4:00 p.m. EST on June 30, 2005. The Notice of Intent to Respond is attached hereto as Exhibit A. While your response on the Notice of Intent to Respond Form is non-binding, your failure to return the form by June 30 means we will not send you subsequent correspondence about this RFP, including copies of all questions from potential bidders and our responses to those questions.

In order to receive copies of Exhibits C, D, E, and F hereto, as well as copies of all questions from potential bidders and our responses to those questions, you must also complete, execute and return two (2) originals of the Confidentiality Agreement attached hereto as Exhibit H on or before June 30, 2005. This Request for Proposals is deemed confidential and shall be shown only to the Bidder's personnel who have a need for the information contained herein for the purposes of preparing the Bidder's response. Bidder may request that specific information contained in or relative to its response be treated by KeySpan on a confidential basis. Such a request shall be clearly stated on every page of the response on which confidential information may appear. KeySpan and its representatives shall take reasonable steps to protect information that is clearly identified as confidential from disclosure to third parties. Bidders should understand that KeySpan may deem it necessary to disclose confidential information regarding the Request for Proposals. Upon request by Bidder and at Bidder's expense, KeySpan shall request that, in connection with any submission to any governmental authority having jurisdictional or oversight responsibilities for KeySpan procurement activities, any information designated as confidential by the Bidder shall be afforded competitively sensitive and proprietary status under the applicable regulations and thus protected from disclosure to third parties; provided, however, that KeySpan does not guarantee that Bidder's information shall be granted such status. In no event shall KeySpan be liable for damages resulting from any inadvertent disclosure of confidential information.

Four (4) hard copies (in a sealed package or packages) and one electronic copy of your proposal are due no later than **5:00 pm** EST on **July 15, 2005**. All materials should be delivered to:

Joseph G. Pradas
Director Strategic Execution and Compliance
KeySpan
303 Merrick Road
Suite 501
Lynbrook, NY 11563
jpradas@keyspanenergy.com

Proposals received after this deadline will not be considered, nor will faxed proposals, whenever received. Interviews of the top-qualifying firms may be conducted at KeySpan's discretion.

All contact and questions with regard to this RFP must be made **only** through the KeySpan Selected Representative. Vendors are encouraged to contact the KeySpan Selected Representative with questions and/or clarifications that vendors may have regarding understanding and answering this RFP. No other contact regarding this RFP with parties within or associated with KeySpan will be allowed during the RFP period and will be grounds for disqualification.

For the purposes of this RFP, the KeySpan Selected Representative is:

Joseph G. Pradas
Director Strategic Execution and Compliance
KeySpan
303 Merrick Road
Suite 501
Lynbrook, NY 11563
jpradas@keyspanenergy.com

All questions regarding this RFP must be submitted in writing through email to jpradas@keyspanenergy.com on or before June 30, 2005, by 4:00 EST. **KeySpan will respond with written answers by July 8, 2005. KeySpan will provide all questions and responses to all potential bidders who have returned a Notice of Intent to Respond Form and Confidentiality Agreement.**

KeySpan will not reimburse Bidders for any expenses incurred in connection with this RFP including the costs of preparing the response and/or providing any additional information and travel expenses relating to an interview. All material that is submitted in response to this RFP will become the sole property of KeySpan.

II. PROPOSAL REQUIREMENTS

Following is a listing of the information to be included in the proposal. A proposal that does not include all of the information requested below shall be deemed non-responsive and subject to rejection. **The proposal must respond to all the areas listed below, in the order listed, and conclude with a separate section on Bidder's proposed fees/pricing to provide the services.**

A. Management and Qualifications

KeySpan contemplates negotiating a definitive agreement with a firm having demonstrated capability in cost-effective natural gas supply portfolio management and risk management and, where applicable, commodity transportation and storage. KeySpan believes it is appropriate that each Bidder state its qualifications in each of these and any other relevant areas as part of its bid submittal. KeySpan seeks verifiable information demonstrating financial strength and experience in the field of energy supply portfolio management, risk management, commodity transportation and storage. To that end, KeySpan requires that the Bidders:

1. Provide the name, title, address, telephone and fax numbers, and e-mail address of at least two individuals KeySpan should contact with respect to your proposal. Identify one of these individuals as the primary contact available to KeySpan throughout the RFP process.

2. Complete the Bidder Qualification Questionnaire attached hereto as Exhibit B.

B. Other

1. Identify any exceptions to the Agreement attached as Exhibit C and indicate suggested alternate language for the exceptions. The nature and extent of exceptions, if any, taken by a Bidder to the Agreement will be a factor considered by KeySpan when evaluating the proposals. In the absence of defined exceptions, your proposal will be accepted as in total compliance with these documents.

2. This RFP does not commit KeySpan to award a contract, pay any costs associated with the preparation of a proposal, or procure or contract for services of any kind whatsoever. KeySpan reserves the right, in its sole discretion, to accept or reject any or all responses to this RFP, to negotiate with any and all considered firms, or to cancel this RFP in whole or in part. KeySpan reserves the right to request additional information from any or all Bidders.

3. Your response to this RFP will serve as the basis for any agreement between the parties, and will represent a **firm offer** to provide to KeySpan the gas portfolio management services as detailed in this RFP and the attached exhibits. Statements made in your proposal are binding; therefore, a representative of your company that is authorized to do so must sign your proposal. Your firm is required to honor the price quote and other terms in your proposal until November 1, 2005. The price you quote must be inclusive of all hardware, software, services, and taxes required for performing the gas portfolio management services. If your price excludes certain fees or charges, you must provide a detailed list of fees with a complete explanation of the nature of these fees.

4. Prior to the time and date designated for receipt of proposals, any proposal already submitted may be modified or withdrawn by notice to the party receiving the proposals at the place designated for receipt of proposals. Such notice shall be in writing and signed by the Bidder prior to the date and time set for the receipt of proposals, and shall be so worded as not to reveal the key provisions, including but not limited to pricing terms, of the original proposal. Withdrawn proposals may be resubmitted, and modified proposals may be submitted, up to the date and time designated for the receipt of proposals provided that they are then fully in conformance with the RFP.

5. KeySpan may waive minor informalities or irregularities in a proposal that are merely a matter of form and not substance and the correction of which would not be prejudicial to other proposals. **Failure to submit a proposal on time will not be waived by KeySpan under any circumstance.**

C. Errors and Omissions in the RFP

If a vendor discovers any ambiguity, conflict, discrepancy, omission or other error in this RFP, it should immediately notify Joseph Pradas, in writing, of such error and request clarification or modification to the RFP.

If a Bidder fails to notify KeySpan of a known error or an error that reasonably should have been known prior to the final filing date for submission, the Bidder assumes the risk. If awarded the contract, the Bidder shall not be entitled to additional compensation or time by reason of the error or its late correction.

Should KeySpan find it necessary, it will make modifications to the RFP by addenda. Such modifications may be given by written notice to all parties who have been furnished an RFP.

III. OVERVIEW AND OBJECTIVE

Boston Gas Company, Colonial Gas Company, and Essex Gas Company all d/b/a KeySpan Energy Delivery New England operate in the Commonwealth of Massachusetts as regulated natural gas distribution utilities. As such, KeySpan is responsible for all aspects of the management of gas supply, transportation and storage assets that comprise its portfolio as well as the economic dispatch of liquefied natural gas ("LNG") storage. KeySpan's priority is the reliability of gas supply for its firm gas customers. KeySpan strives to achieve this on a least-cost basis.

KeySpan is responsible for: planning the long-term strategic and short-term daily optimization of its natural gas portfolio; procuring natural gas supplies for its utility customers; marketing gas supply and services to off-system customers (as part of maximizing the value of the portfolio for utility ratepayers); reconciling pipeline and supplier invoices; and performing other accounting and administrative activities. KeySpan's Unbundling Program requires mandatory assignment of capacity for marketers whose aggregation pools reach certain capacity thresholds and adjustments (additional assignment of capacity or recall of capacity) if the marketer's pool increases or decreases by a certain amount. The assignment program is based on a "slice of the system" approach under which each marketer is given a prorated share of each of KeySpan's contracts serving their aggregation pool. Recalls and reassignments of capacity when required are effective the first of each month.

KeySpan manages the natural gas requirements of approximately 820,000 natural gas customers whose consumption totals approximately 122 Bcf annually (normalized) with a 1.2 Bcf peak day.

KeySpan requests proposals for the provision of portfolio management services. The objective of the portfolio management agreement is to enable KeySpan to continue to provide reliable service to its gas customers at the least possible cost. The Agreement for these portfolio management services will have an initial term of two years commencing April 1, 2006, and an option, at KeySpan's discretion, to extend the term for up to two additional one-year periods. In connection with the use of KeySpan's gas supply, transportation and storage assets identified in Exhibit D attached hereto (the "Assets"), Bidders may propose a guaranteed payment to KeySpan, a sharing of net profits, a combination of the two, or any other similar arrangement in which value can be easily quantified.

IV. SCOPE OF SERVICES

KeySpan will assign or release to the successful Bidder ("Portfolio Manager") the Assets, unless the asset is identified on Exhibit D as "Company Managed," subject to KeySpan's ongoing right to modify the Assets. The Portfolio Manager shall provide bundled gas supply service to KeySpan pursuant to the Agreement through the use of the Assets and/or the use of other gas supply assets it owns or procures separately.

Subject to satisfaction of its requirements under the Agreement, Portfolio Manager shall have the right to utilize the Assets to generate additional revenues. In connection with the Assets, the Portfolio Manager shall be responsible for all day to day scheduling, nominations, notifications, risk management services, billing, payment and administration. Portfolio Manager shall be liable for all costs incurred in connection with the Assets during the term of the Agreement and shall be responsible for prompt payment of all invoices in connection therewith.

Without the express written consent of KeySpan, Portfolio Manager shall not amend or modify the Assets. Further, Portfolio Manager shall comply with all contractual requirements of the Assets and shall not take any action that will diminish the value of such Assets. In connection with its utilization of the Assets, Portfolio Manager shall comply with all laws, rules and regulations of the Federal Energy Regulatory Commission ("FERC"), the Massachusetts Department of Telecommunications and Energy ("DTE") and any other governmental or regulatory body having jurisdiction. Portfolio Manager shall provide KeySpan with such reports and documentation as KeySpan determines are required to satisfy KeySpan's internal accounting requirements, to satisfy requests by regulatory agencies, and as are otherwise deemed necessary by KeySpan. Bidders should include as part of their bid response package examples of the types of reports that they are willing and able to provide to KeySpan and the frequency with which those reports could be made available.

V. AGREEMENT

Gas Supply Obligations: Pursuant to the Agreement, Portfolio Manager shall be obligated to satisfy KeySpan's ("Buyer's") gas supply requirements as follows:

> Portfolio Manager will manage certain upstream gas supply, interstate transportation and underground storage assets and provide a bundled city gate service to meet Buyer's gas supply requirements associated with these assets over the Term. Additionally, upon hitting a storage ratchet based on Buyer's Paper Storage Balance, Seller shall remain obligated to sell and deliver up to Buyer's MDQ; however, in that event, Buyer may elect to satisfy its city gate requirements through the utilization of Company Managed Assets and/or the purchase from a third party up to Buyer's MDQ.
>
> Portfolio Manager will provide Buyer up to the total requirements on the Tennessee and Algonquin interstate pipelines (See Exhibit D). This MDQ may change on a monthly basis subject to Buyer's state-approved gas unbundling program.

Buyer will nominate to Portfolio Manager on a daily, intraday and monthly basis its city gate gas supply requirements associated with the released/assigned assets.

In each contract year during the Term, Portfolio Manager will (i) by October 31st, fill all of Buyer's storage requirements to at least 95% of the Storage Rule Curve, (ii) by December 1st, be at the Storage Rule Curve, and (iii) by the end of each Month thereafter up through and including April, maintain storage levels of no less than the lower of the Paper Storage Balance or the Storage Rule Curve. Portfolio Manager will be allowed to fall below these Storage Rule Curve requirements during any month so long as by the third business day prior to the end of such month the storage level meets or exceeds the lower of the Paper Storage Balance or the Storage Rule Curve.

Price: Buyer intends to pay Portfolio Manager for gas supply as follows:

a. Demand Charges – Buyer will reimburse Portfolio Manager for all demand charges associated with the Assets reasonably incurred and paid by Portfolio Manager in connection with the use of the Assets to meet Buyer's gas supply requirements.

b. Variable Charges – For gas delivered by Portfolio Manager pursuant to the Agreement, Buyer will pay Portfolio Manager in accordance with the Tiers and the order set by KeySpan for the Tiers as described in the Agreement. The Tiered Pricing Structure for April 1, 2006, and November 1, 2006 is attached hereto as Exhibit E.

c. Revisions - Buyer will have the right to revise the foregoing tiered pricing structure to reflect revisions in the Assets (*e.g.,* as assets terminate in the event contracts are not renewed) and/or significant market changes. Buyer will make any such revisions to the Tiered Pricing Structure on September 15th for the succeeding November through April period and monthly, May through October, during Bid Week. Such revisions may result in additions to or deletions from the Assets listed in Exhibit D.

Exhibit G sets forth the criteria upon which Bidders' responses will be evaluated.

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Exhibit A

Notice of Intent to Respond

All vendors are requested to complete the following form, indicating whether or not they intend to participate in KeySpan's RFP process **no later than 4:00 p.m. EST on June 30, 2005.**

Gas Resource Portfolio Management Services

To: **Joseph G. Pradas**
Director Strategic Execution and Compliance
KeySpan
303 Merrick Road, Suite 501
Lynbrook, NY 11563
jpradas@keyspanenergy.com
Fax (516) 256-2814

From: Company Name ______________________________

Company Address ______________________________

Contact Name ______________________________

City, State, Zip ______________________________

Phone ________________ Cell Phone ________________

Fax ______________________

Email Address ______________________________

Vendor agrees to the terms outlined in the RFP. Vendor further acknowledges that KeySpan is in no way obligated to purchase any good or services until such time as contracts and agreements are executed, if indeed your firm is chosen for future consideration in the selection process. While your response on this form is non-binding, your failure to return the form by June 30, 2005 means KeySpan will not send you subsequent correspondence about this RFP, including copies of all questions from potential bidders and KeySpan's responses to those questions.

Please indicate whether or not you intend to submit a proposal to the RFP:

We intend to submit a proposal to the RFP no later than July 15, 2005:

YES____ NO_____

______________________________ ______________________________
Company Name Date

____
Contact Name & Title (please print)

Exhibit B

Bidder Qualification Questionnaire

1. Identify any prior or current work for Boston Gas Company, Colonial Gas Company, Essex Gas Company, or KeySpan Corporation, including any subsidiaries or affiliates.

2. Describe the team that will be assigned to this engagement, including past experience providing the same or similar services as requested in the RFP. Identify the individuals who will be involved and the primary role and responsibilities of each member. Provide resumes for these individuals.

3. Identify any subcontractors and agents that may be utilized as part of your firm's proposed team.

4. Identify any additional tasks (*e.g.*, on-going or one-time) that your firm believes need to be covered in this engagement that were not identified in the Scope of Services section or the form of Gas Resource Portfolio Management and Gas Sales Agreement ("Agreement") attached hereto as Exhibit C . Describe why you believe each task is relevant.

5. Provide the name, address and telephone number of at least three references for whom you have provided similar services.

6. Discuss any past or present civil or criminal investigations, pertinent litigation and/or regulatory action involving your firm or any of its employees that could impact your firm's role or ability to perform the relevant services, including the strength of its financial commitments and guarantees. If none, include a statement that there are no past or present civil or criminal legal investigations, or pertinent litigation and/or regulatory actions that could impact your ability to serve in the required capacity.

7. List all mergers or acquisitions that your company has been a party to in the past five years. List all previous names under which business was conducted and the year the merger or acquisition was completed. State how these mergers or acquisitions have improved your organization's ability to operate and serve its customers.

8. State whether your company ever filed for bankruptcy. If it has, state when and explain.

9. Provide your company's Dun & Bradstreet DUNS number.

10. Provide evidence of your capabilities to create and maintain records and provide documentation that will permit KeySpan to meet its contractual and/or regulatory reporting requirements in a timely manner. KeySpan may perform an initial audit of each Bidder during the proposal evaluation process.

11. Provide information sufficient to establish suitable creditworthiness relative to the level of financial risk KeySpan would assume if it accepts your proposal. This information will be reviewed by KeySpan's Credit Department.

12. Provide your (or your guaranteeing parent's, if applicable) audited annual report and Form 10-K for the most recent full fiscal year and previous two years. If a Form 10-K is unavailable, provide documentation regarding investments, size and type of borrowings, ability to add additional debt and credit quality.

13. <u>Areas of Expertise - Energy Supply Portfolio Management</u>

Please describe in detail your organization's expertise and experience in the following areas:

a. Natural gas;

b. Upstream gas transportation and optimization of storage management;

c. Financial instruments and techniques used to manage risk involving:

   i. Natural gas; and
   ii. Basis for natural gas.

d. Gas and utility asset management and interface with related operations personnel including type of assets managed, size, activity, length of agreement, location and any other pertinent information;

e. Information systems support - gas and risk management transactions;

f. Logistical or back office support;

g. FERC and Massachusetts DTE regulatory matters; and

h. Economic analysis in commodity markets.

14. <u>Strengths</u>

Please address the strengths of your organization as follows:

a. Describe how you would integrate your current market participation in the Northeastern United States with the services under this RFP;

b. Describe your organization's strengths as an energy manager in the Northeast energy market;

c. Provide information relating to specific energy assets owned, including location, quantity and any other pertinent information;

d. Describe your organization's size in relation to other gas and power marketers and the importance of relative size to successfully provide energy supply portfolio management services;

e. Describe what sets your organization apart from other large energy service companies;

f. Describe any recent innovations initiated by your organization in the area of gas supply or derivatives;

g. Describe any unique concepts by which your organization would provide the services under this RFP to KeySpan, including the enhanced value such concepts would bring to the KeySpan companies; and

h. Describe the size and experience of your gas scheduling department, specifically in the Northeast.

15. Experience Level

a. State the energy commodity (gas, power, oil and emissions) that your organization has the least experience trading or that provides you with the smallest profit margin; and

b. Describe the assets that your organization requires to strengthen its position in the energy marketplace.

16. Corporate Strategy

Please address the corporate strategy and experience of your organization as follows:

a. Discuss your organization's strategy and experience regarding services for other energy companies;

b. Describe the optimum corporate structure and asset portfolio of a premier Northeast energy trading entity;

c. Describe the optimum corporate culture of an energy manager providing the services under this RFP;

d. Describe how you would perform the services under this RFP to compete successfully in the Northeast energy marketplace;

e. Describe what authority level limits will apply to your organization from any parent entity, if any, regarding your performance of the services under this RFP.

17. Regulatory Matters

a. Describe any concerns that your organization would have if it were required to abide by KeySpan's existing regulatory constraints.

b. Describe your organization's knowledge of gas and electric utility rates and ratemaking practices.

18. Conflicts of Interest

a. Identify all potential conflicts of interest, including any related regulatory issues, which might arise in connection with the performance of the proposed services under this RFP, including, but not limited to:

i. management of other energy assets in Northeast region;

ii. management of your organization's assets; and

iii. sales or management of gas and/or electric within KeySpan's service territory and neighboring areas; and

b. Describe potential methods to eliminate or otherwise address the conflicts of interest and related regulatory compliance issues described above.

19. Additional Information

a. Please offer any additional information that will help KeySpan differentiate your organization from others as far as the value you bring to the proposed portfolio management arrangement.

b. Describe the type of gas management system that you use

c. Describe the type of risk management system that you use.

20. Transition Plans

Describe your plans to transition the Portfolio Manager function to your organization for the term of the agreement. Describe your plans to transition this function to another organization once the agreement has terminated.

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Exhibit C

Form of Service Agreement

To Be Provided Upon Receipt of Confidentiality Agreement

Exhibit D
Gas Supply, Transportation and Storage Assets

To Be Provided Upon Receipt of Confidentiality Agreement

Exhibit E
Tiered Pricing Structure

To Be Provided Upon Receipt of Confidentiality Agreement

Exhibit F
Storage Rule Curve

To Be Provided Upon Receipt of Confidentiality Agreement

Exhibit G

RFP Evaluation Criteria

Criteria	Points
Price (Least Cost Planning)	35
Experience	20
Flexibility	15
Contract Exceptions (minimum #)	10
Creditworthiness	20
Total	**100**

Price:

- Favorable commodity pricing terms to meet firm sendout requirements
- Management Fee payable to KeySpan

Experience:

- Overall asset management experience
- Familiarity with the Northeast market
- Ability to meet generally accepted industry reporting requirements

Flexibility:

- Diversity of supply, including reserves and production area resources
- Ability to rely on additional resources to ensure supply reliability
- Access to storage
- Peaking services
- Lack of conflict of interest

Contract Exceptions:

- Fewest number of material contract exceptions

Creditworthiness:

- Financial integrity
- Financial strength
- Standard & Poor's and Moody's credit rating
- Reputation

Exhibit H

CONFIDENTIALITY AGREEMENT

This Confidentiality Agreement ("Agreement"), entered into and effective as of the day of _____, 2005 (the "Effective Date"), is by and between __________, a __________ corporation ("__________"), with its principal place of business at ____, and Boston Gas Company, Colonial Gas Company, and Essex Gas Company, all d/b/a KeySpan Energy Delivery New England ("KeySpan"), **with its principal place of business located at 52 Second Avenue, Waltham, MA, 02451 by its agent KeySpan Corporate Services LLC. __________ and KeySpan shall be referred to individually as a "Party" and collectively as the "Parties" in this Agreement.**

Recitals:

A. The Parties wish to discuss the possibility of __________ providing portfolio management services to KeySpan (the "Proposed Undertaking").

B. The Parties expect that in furtherance of or in connection with the Proposed Undertaking, the Parties will receive Confidential Information (as defined below) from each other.

C. The Parties wish to define in this Agreement their respective rights and obligations with respect to Confidential Information.

In consideration of the mutual agreements, covenants, and conditions contained herein, the Parties agree as follows:

1. Confidential Information. As used herein, the term "Confidential Information" means information that is of a non-public and confidential nature to the Party disclosing such information (the "Disclosing Party") revealed directly or indirectly to Receiving Party in connection with the Proposed Undertaking, whether written, electronic, graphic or oral, including, but not limited to any and all information and data exchanged as part of the Request for Proposals for Portfolio Management Services on Behalf of Boston Gas Company, Colonial Gas Company, and Essex Gas Company, all d/b/a KeySpan Energy Delivery New England, and any and all information and data, technical or non-technical relating to the Disclosing Party's products; past, present and future sales, marketing, and trading information; business strategies; nominating, scheduling, accounting, billing, and reporting data; and commercial and financial trade secrets.

2. Exceptions. Notwithstanding the provisions of Section 1, the term "Confidential Information" shall not include any information received by a Party (the "Receiving Party") from the Disclosing Party, to the extent such information:

(i) was, prior to disclosure by the Disclosing Party, available to the Receiving Party on a non-confidential basis, or was otherwise in the public domain other than through the act or omission of the Receiving Party or its Representatives;

(ii) is or becomes, at the time of or following disclosure, available to the Receiving Party or the public (other than as a result of disclosure in violation of this Agreement) from a source other than the Disclosing Party; or

(iii) is independently developed by the Receiving Party without relying on the Confidential Information, as evidenced by written records.

3. **Limitations on Disclosure.** The Receiving Party may not disclose Confidential Information received hereunder to any other person or party, except that Confidential Information may be disclosed (i) when requested or required to be disclosed to a third party to whom the Receiving Party is or becomes legally compelled by any governmental, judicial, or regulatory authority with jurisdiction to make disclosure of Confidential Information (*e.g.*, by order, deposition, interrogatory, investigative demand, request for documents, subpoena or similar process or rule of procedure, statute, regulation or at common law), but only to the extent such disclosure is actually required, and (ii) to any of the Receiving Party's affiliates, shareholders, members, partners, directors, officers, employees, agents, contractors, subcontractors, necessary consultants, counsel, advisors, accountants or lenders (collectively, "Representatives") who are directly involved in and require access to such Confidential Information in connection with the Proposed Undertaking.

In the event the Receiving Party is required to disclose Confidential Information under (i) above, the Receiving Party shall inform the requesting party of the confidentiality requirements of this Agreement prior to disclosing any such Confidential Information; shall give prompt notice of the existence, terms and circumstances surrounding such request or requirement to the Disclosing Party and afford the Disclosing Party opportunity to review the information so that the Disclosing Party may seek, at its sole cost and expense, a protective order or other relief in the appropriate forum and/or waive compliance by the Receiving Party with the terms of this Agreement; shall limit any such disclosure to the scope of the requirement or request; and shall exercise its reasonable efforts to obtain reliable assurance that confidential treatment will be accorded such Confidential Information.

Each of the Parties agrees that (x) any of its Representatives to whom Confidential Information is or may be disclosed will be informed of the confidential or proprietary nature thereof and will be required to abide by the Receiving Party's obligations under this Agreement, and (y) each Party shall be responsible for any unauthorized use or disclosure of Confidential Information by any of its Representatives.

4. **Limitations on Use.** Absent the express written consent of the Disclosing Party, Confidential Information disclosed hereunder may be utilized by the Receiving Party only for the purpose of evaluating possible transactions in connection with and negotiating the possible terms of agreements relating to the Proposed Undertaking and for no other purpose. Upon disclosing Confidential Information to Representatives, the Receiving Party shall advise same of the confidential nature thereof, and shall take necessary and reasonable precautions to prevent the unauthorized disclosure of such information by such parties.

5. **Reservation of Rights.** The Parties agree that: (i) all rights to Confidential Information disclosed pursuant to this Agreement are reserved to the Disclosing Party; (ii) nothing in this

Agreement shall diminish or restrict in any way the rights that each Party has to market, lease, sell, or otherwise make available its products and services to any customer or third party; and (iii) no license or conveyance of any rights under any discoveries, inventions, or patents is granted or implied by either Party to the other.

6. **Disclosure Rights.** Notwithstanding anything to the contrary in this Agreement, the Disclosing Party represents and warrants that it may rightfully disclose or make available all Confidential Information disclosed to the Receiving Party hereunder without violating or being in breach of any contractual, fiduciary or other obligation to any person.

7. **No Warranties**. Neither the Disclosing Party nor any of its Representatives make any representation, warranty or covenant as to the Confidential Information, including, without limitation, the accuracy or completeness of the Confidential Information or fitness of the Confidential Information for a particular use. The Receiving Party acknowledges that the Disclosing Party and its Representatives shall not have any liability to the Receiving Party or its Representatives resulting from the provision to or use by the Receiving Party or its Representatives of Confidential Information.

8. **No Obligation to Disclose or Proceed.** This Agreement does not and shall not be construed to obligate either Party to disclose Confidential Information to the other Party. Disclosure of Confidential Information shall be at the sole discretion of the Disclosing Party. The Parties hereto understand and agree that unless and until a definitive agreement has been executed and delivered, no contract or agreement providing for a transaction between the Parties shall be deemed to exist between the Parties, and neither Party will be under any legal obligation of any kind whatsoever with respect to such transaction by virtue of this or any written or oral expression thereof, except, in the case of this Agreement, for the matters specifically agreed to herein. For purposes of this Agreement, the term "definitive agreement" does not include an executed letter of intent or any other preliminary written agreement or offer unless specifically so designated in writing and executed by both Parties. This Agreement neither obligates a Party to deal exclusively with the other Party nor prevents a Party or any of its affiliates from competing with the other Party or any of its affiliates.

9. **Return of Confidential Information.** The Receiving Party, upon the Disclosing Party's written request, shall return to the Disclosing Party as soon as practicable, but in no event later than thirty (30) days from the date such request is received, all Confidential Information provided to the Receiving Party and in its possession or in the possession of its Representatives. In lieu of returning the Confidential Information, the Receiving Party, in its sole discretion, may elect to destroy all Confidential Information in its possession and in the possession of its Representatives, and shall certify such destruction in writing to the Disclosing Party. Notwithstanding the foregoing, (i) the Receiving Party shall not be obligated to return or destroy any documents created by it that reflect or refer to Confidential Information and (ii) the Receiving Party may create and retain an abstract describing the type of Confidential Information that it receives sufficient to document the nature and scope of the Parties' discussions under this Agreement. Any such documents or abstract so created will be subject to the other restrictions of this Agreement,

10. **Governing Law.** This Agreement, and all claims arising hereunder, shall be governed by and construed under the laws of the State of Massachusetts, without regard to principles of conflicts of laws calling for application of the laws of another state.

11. **Injunctive Relief.** The Receiving Party acknowledges and agrees that, without prejudice to any other right and remedy available to the Disclosing Party, the Disclosing Party shall be entitled (i) to apply for injunctive relief and specific performance of the terms hereof, and (ii) to recover all reasonable costs and expenses, including attorneys' fees and other legal costs, from the Receiving Party if awarded for legal action taken in connection with any breach or threatened breach by the Receiving Party or its Representatives of any of the provisions of this Agreement. The Parties agree and acknowledge that monetary damages and other forms of legal damages would be inadequate in the event of a breach of this Agreement.

12. **No Consequential Damages.** ANY OTHER PROVISION OF THIS AGREEMENT NOTWITHSTANDING, NEITHER PARTY SHALL BE LIABLE TO THE OTHER PARTY HEREUNDER FOR ANY SPECIAL, INDIRECT, INCIDENTAL, CONSEQUENTIAL, PUNITIVE OR EXEMPLARY DAMAGES OF ANY KIND OR CHARACTER, INCLUDING LOST PROFIT OR LOSS OF BUSINESS OPPORTUNITY, UNDER WHATEVER CAUSE OF ACTION, WHETHER CONTRACT, TORT (INCLUDING NEGLIGENCE, WHETHER SOLE, JOINT OR CONCURRENT, OR STRICT LIABILITY) OR INDEMNITY, ARISING OUT OF THIS AGREEMENT.

13. **No Waiver.** Subject to applicable statutes of limitation, no failure or delay, in whole or in part, by the Disclosing Party in exercising any right hereunder shall operate as a full or partial waiver of such right.

14. **Entire Agreement.** This Agreement represents the entire agreement of the Parties concerning the subject matter hereof and supersedes all prior agreements between the Parties, and no other agreement, written or oral, exists between the Parties concerning the subject matter hereof.

15. **No Third Party Beneficiaries.** This Agreement is intended for the benefit of the Parties hereto and is not intended to and does not confer any benefit to third parties.

16. **Amendments.** No amendment, modification or change to this Agreement shall be enforceable unless reduced to writing and executed by both Parties. This Agreement comprises the full and complete agreement of the Parties hereto with respect to the subject matter hereof and supersedes and cancels all prior communications, understandings and agreements between the Parties hereto, whether written or oral, expressed or implied with respect to the subject matter hereof.

17. **Assignment.** This Agreement may not be assigned by either Party without the prior written consent of the other Party, which consent shall not be unreasonably withheld, conditioned or delayed, provided however that this Agreement may be assigned by a Party without the consent of the other Party to any subsidiary or affiliate of the assigning Party, provided that the assignor shall not be released from the terms and conditions hereof. Upon any assignment made in compliance with this Section 17, this Agreement shall inure to and be binding upon each assignee of the assigning Party.

18. **Multiple Counterparts.** This Agreement may be executed in counterparts, each of which shall be deemed to be an original and all of which shall constitute one and the same document.

19. **Notices.** Any notice or other communications required or permitted to be given pursuant to this Agreement shall be confirmed in writing and shall be deemed properly given when hand delivered; sent by overnight mail service; mailed certified mail, return receipt requested, or transmitted by facsimile with date and sending Party identified to the following addresses:

Attn:
Title:

____
Address:
Address:
Telephone:
Facsimile:

For KeySpan:

Attn: **Joseph G. Pradas**
Director Strategic Execution and Compliance
KeySpan
303 Merrick Road
Suite 501
Lynbrook, NY 11563
jpradas@keyspanenergy.com
Telephone: (516) 596-3520
Facsimile: (516) 256-2814

With a Copy to: **KeySpan Corporate Services LLC**
175 East Old Country Road
Hicksville, New York 11801
Attn: Assistant General Counsel Commercial Transactions
Telephone: (516) 545-3745
Facsimile: (516) 545-5029

20. **Term and Survival**. This Agreement shall be in effect commencing on the effective date hereof for a period of two (2) years unless superseded at an earlier date by the confidentiality provisions of a definitive agreement.

00035

IN WITNESS WHEREOF, the Parties have entered into this Agreement effective as of the Effective Date.

___________	BOSTON GAS COMPANY, COLONIAL GAS COMPANY, AND ESSEX GAS COMPANY ALL D/B/A KEYSPAN ENERGY DELIVERY NEW ENGLAND, BY THEIR AGENT KEYSPAN CORPORATE SERVICES LLC
By: ___________________________	By: ___________________________
Name: ___________________________	Name: ___________________________
Title: ___________________________	Title: ___________________________

00036

	Company	Contact	Office	Fax	Email
1	Anadarko	Wanda Marcell 1200 Timberloch Place The Woodlands, Texas 77380	(832) 636-7155	(832) 636-7181	wanda_marcell@anadarko.com
2	BP Energy	Paul Mugridge Manager Market Development BP Energy 501 Westlake Park Blvd. Houston, TX 77079	(281) 366-2567	(281) 366-4969	paul.mugridge@BP.com
3	Burlington Resources	Dan McAstocker Burlington Resources Canada Ltd. 2100 - 250 6th S.W. Calgary, Alberta T2P-3H7	(403) 260-8057	(403) 269-8236	DMcAstocker@br-inc.com
4	Cargill	Craig Adams Director, Marketing & Business Development Cargill Power & Gas Markets 12700 Whitewater Dr. Minnetonka, MN 55343-9439	(952) 984-3301	(952) 984-3607	craig_adams@cargill.com
5	Chevron Texaco	Don Cullum Regional Director - Gulf Coast Natural Gas Marketing - U.S. Chevron Natural Gas 1500 Louisiana Street, Third Floor Houston, TX 77002	(832) 854-5032	(832) 854-3293	doncullum@chevrontexaco.com
6	Cinergy	Chris Fischer - Director, Origination Cinergy Marketing & Trading, LP 1100 Louisiana St, Suite 4900 Houston, TX 77002	(713) 393-6846	(713) 890-3134	chris.fischer@cinergy.com
7	Conoco Phillips	Jeff Brant Director, NE Origination ConocoPhillips Gas & Power 5795 Widewaters Parkway #201 DeWitt, NY 13214	(315) 453-7353	(315) 453-7355	jeff.brant@conocophillips.com
8	Constellation	David Dahlem 23 Franklin Woods Road Somers, Ct 06071	(860) 763-5015	(860) 763-5016	david.dahlem@constellation.com
9	Coral (Shell)	Lisset Garza Shell Trading Gas & Power 909 Fannin St. Houston, TX 77010	(713) 767-5470	(713) 265-5470	lgarza@coral-energy.com
10	Deutsche Bank	Allan Kessler Deutsche Bank AG New York 60 Wall Street 5th Floor New York, NY 10005	(212) 250-8693		allan.kessler@db.com
11	Devon	Ken Ballard 20 North Broadway, BOC 7.16 Oklahoma City, OK 73102-8260	(405) 228-8285	(405) 228-8372	ken.ballard@dvn.com
12	DTE Energy	Sharon Crow East Origination DTE Energy Trading 414 S. Main Street Suite 200 Ann Arbor, MI 48104	(734) 887-2135	(734) 887-2104	crows@dteenergy.com

	Company	Contact	Office	Fax	Email
13	EnCana	Haig Vejprava Director of Marketing 1800, 855 2nd Street S.W. P.O. Box 2850 Calgary, Alberta T2P 2S5	(403) 645-4316		haig.vejprava@encana.com
14	ExxonMobil	Guangtao Zhu ExxonMobil Gas & Power Marketing 800 Bell Street, Room 3562R Houston, TX 77002	(713) 656-6297	(713) 656-2727	guangtao.zhu@exxonmobil.com
15	Marathon Oil	Jim Bowden Marathon Oil P.O. Box 3128 Houston, TX 77253-3128	(713) 296-3700	(713) 296-4481	jrbowden@marathonoil.com
16	Merrill Lynch	David Stratton Lon Tiemann Chris Beggins 20 East Greenway Plaza Suite 700 Houston, TX 77046	(713) 544-4400 (713) 544-7758 (713) 544-7761		david_stratton@ml.com lon_tiemann@ml.com chris_beggins@ml.com
17	Morgan Stanley	Robert Faitell Morgan Stanley Trading Floor 2000 Westchester Ave. Purchase, NY 10577	(914) 225-1460		robert.faitell@morganstanley.com
18	ONEOK	Phill May Director of Origination - Northeast Region ONEOK Energy Services 100 W. Fifth Street Suite 1600 Tulsa, OK 74103-4298	(918) 591-5169	(918) 591-5130	Phill.May@oneok.com
19	Sempra	Scott La Shelle Director Sempra Energy Trading Corp. 58 Commerce Rd. Stamford, CT 06902	(203) 355-5087		slashelle@sempratrading.com
20	Sequent	Pete Tumminello Sequent Energy Management 1200 Smith Street Suite 900 Houston, TX 77002	(832) 397-3742	(832) 397-1709	ptummine@sequentenergy.com
21	Sprague	Claude Peyrot 2 International Drive Suite 200 Portsmouth, NH 03801-6809	(603) 430-7254		cpeyrot@spragueenergy.com
22	Tenaska	Kristen Gould Manager, Marketing 3050, 300 - 5th Avenue S.W. Stock Exchange Tower Calgary, AB T2P 3C4	(403) 716-1382	(403) 716-1375	kgould@tmvgas.com
23	UBS Warburg	Patrice Thurston UBS Energy Desk 677 Washington Boulevard Stamford, CT 06901	(203) 719-8503	(203) 719-1056	patrice.thurston@ubs.com

Cheryl M. Kimball

-------- Original Message --------
Subject: Mass. RFP Responses and Evaluations
Date: Wed, 22 Jun 2005 14:35:56 -0400
From: Joseph Pradas <jpradas@keyspanenergy.com>
Organization: KeySpan
To: Jennifer Feinstein <jfeinstein@keyspanenergy.com>, Stephen A Mc Cauley <smccauley@keyspanenergy.com>, "John E. Allocca" <jallocca@keyspanenergy.com>, Elizabeth Danehy Arangio <earangio@keyspanenergy.com>, Mark J Leippert <mleippert@keyspanenergy.com>, "Nancy G. Culliford" <nculliford@keyspanenergy.com>, "Theodore E Poe Jr." <tpoe@keyspanenergy.com>, Thomas P ONeill <toneill@keyspanenergy.com>, Dino C Papetti <dpapetti@keyspanenergy.com>, "Cynthia R. Clark" <cclark@keyspanenergy.com>, John V Vaughn <jvaughn@keyspanenergy.com>, TERRENCE KAIN <tkain@keyspanenergy.com>, "Melissa A. Reges" <mreges@keyspanenergy.com>, Luis O Ramos <lramos@keyspanenergy.com>, Richard A Visconti <rvisconti@keyspanenergy.com>

Mass. RFP team:

FYI, as of noontime today, we have been contacted by 7 companies, with no one declining:

- BP Energy
- Cargill
- Cinergy
- Coral
- DTE Energy
- Marathon Oil
- Sempra

The next step will be for them to execute a CA and submit the Intent to Respond form.

Having said this, I thought I would send out a quick note to give the team a heads up or a reminder re: "next" steps.

I would imagine that questions will start coming in over the next few days, and I will immediately distribute them to the team. As with the LIPA RFP initiative, the responses will have to be run through Hicksville Legal - Cindy Clark or Rich Visconti - before they get resent to the bidders. This whole turnaround process will have to be completed by no later than July 8th, per the timeline given to the bidders and in order to meet the bid due deadline of July 15th.

With respect to the evaluation process, which consists of the following criteria: Price, Experience, Flexibility, Contract Exceptions and Creditworthiness, I would ask that everyone give some thought as to how to best quantify, differentiate and/or rank the bids, particularly from a "price" perspective. Although it remains to be seen what shape or form the bids will have, it may be worthwhile to start giving some thought to possible structures, based on past RFPs or experience.

Stay tuned.

Thanks.
Joe

Cheryl M. Kimball

-------- Original Message --------
Subject: RE: RFP
Date: Fri, 24 Jun 2005 12:06:00 -0400
From: John Vaughn <jvaughn@keyspanenergy.com>
To: 'Scobell, Michael' <Michael.Scobell@constellation.com>
CC: Joseph Pradas <jpradas@keyspanenergy.com>

Mike:

According to Joe Pradas, who is the official KeySpan point of contact, the RFP was sent to David Dahlem in Somers, Conn.

Please contact Joe on 516.596.3520 for further questions regarding this RFP.

Thanks, great to see you on the fishing trip yesterday

John

From: Scobell, Michael [mailto:Michael.Scobell@constellation.com] Sent: Friday, June 24, 2005 11:09 AM To: vaughnjv@att.net Subject: RFP

John,

It was good to see you yesterday. We had a great time!

I checked around a little this morning and have not found anyone with your RFP. If you can, send it to me. Thanks. Mike notified that any retention, disclosure or other use is strictly prohibited. If you have received this notification in error, please immediately contact the sender and delete the material.

Cheryl M. Kimball

-------- Original Message --------
Subject: Mass. RFO - Status
Date: Fri, 24 Jun 2005 17:34:06 -0400
From: Joseph Pradas <jpradas@keyspanenergy.com>
Organization: KeySpan
To: jfeinstein@keyspanenergy.com, smccauley@keyspanenergy.com, jallocca@keyspanenergy.com, earangio@keyspanenergy.com, ncianflone@keyspanenergy.com, mleippert@keyspanenergy.com, jvaughn@keyspanenergy.com, tkain@keyspanenergy.com, mreges@keyspanenergy.com, lmarilla@keyspanenergy.com, cclark@keyspanenergy.com, rvisconti@keyspanenergy.com, nculliford@keyspanenergy.com, toneill@keyspanenergy.com, tpoe@keyspanenergy.com, dpapetti@keyspanenergy.com
CC: Joseph F Bodanza Jr <jbodanza@keyspanenergy.com>, Richard A Rapp Jr <rrapp@keyspanenergy.com>, RONALD LUKAS <rlukas@keyspanenergy.com>

Just a quick note to let you know that as of the close of business today, 6/24, eleven prospective bidders have express an interest in the Mass. RFP.

Five bidders have executed the CA and the Intent to Respond schedule:

BP Energy
Cinergy
ConoPhillips
Marathon Oil
Tenaska

Six additional bidders are in the process of reviewing the CA and/or the initial RFP documents:

Cargill
Coral
DTE Energy
Sempra
Sequent
UBS Warburg

No one has yet to responded with a "no".

I'll keep you posted.

Joe

Cheryl M. Kimball

-------- Original Message --------
Subject: Question
Date: Mon, 27 Jun 2005 15:22:22 +0100
From: Mugridge, Paul T <paul.mugridge@bp.com>
To: Joseph Pradas <jpradas@keyspanenergy.com>

Joe,

Is Merrill Lynch going to have a last look or right of first refusal on this RFP?

Is Merrill Lynch going to be involved in any way with the review and analysis of the responses?

Thanks

Paul Mugridge
Manager Market Development
Office: 281-366-2567
Cell: 713-857-2428
Fax: 281-366-4929
Email: paul.mugridge@bp.com

Cheryl M. Kimball

-------- Original Message --------
Subject: Questions on the RFP
Date: Tue, 28 Jun 2005 12:45:43 -0500
From: Sevil Yaman <syaman@sequentenergy.com>
To: Joseph Pradas <jpradas@keyspanenergy.com>

Joe,

RFP mentions June 30, 2005 as deadline for submitting questions. Given the fact that we received all the portfolio info just yesterday, do you think that we can have some extension on this date?

Thanks,

Sevil Yaman
Manager, Structuring

1200 Smith Street, Suite 900
Houston, TX 77002

office - 832-397-8647
cell - 713-304-5037
fax - 832-397-1709
mail to: syaman@sequentenergy.com

-----Original Message-----
From: Joseph Pradas [mailto:jpradas@keyspanenergy.com]
Sent: Friday, June 24, 2005 12:25 PM
To: Sevil Yaman
Subject: [Fwd: Re: [Fwd: FW: KeySpan Energy Delivery CA]]

Sevil,

CA is okay. Please execute and forward with Intent to Respond form.

Regards,
Joe

-------- Original Message --------

Subject: Re: [Fwd: FW: KeySpan Energy Delivery CA]
Date: Fri, 24 Jun 2005 12:30:57 -0400
From: "Cynthia R. Clark" <cclark@keyspanenergy.com>
Organization: KeySpan
To: Joseph Pradas <jpradas@keyspanenergy.com>
References: <42BC2A5E.3060801@keyspanenergy.com>

Joe,
This is fine.
Cindy

Joseph Pradas wrote:

> Cindy,
>
> Plse see attached CA.
> Thx.
>
> Joe
>
> -------- Original Message --------
> Subject: FW: KeySpan Energy Delivery CA
> Date: Fri, 24 Jun 2005 10:38:52 -0500
> From: Sevil Yaman
> To: jpradas@keyspanenergy.com
> CC: Harry Collins
>
> Joe,
>
>
>
> Please see the attached CA. As I mentioned before except the state of
> governing law there is no change. Please let me know your comments.
>
>
>
> Cheers,
>
>
>
> Sevil Yaman
>
> Manager, Structuring
>
>
>
>
>

> 1200 Smith Street, Suite 900
>
> Houston, TX 77002
>
>
>
> office - 832-397-8647
>
> cell - 713-304-5037
>
> fax - 832-397-1709
>
> mail to: syaman@sequentenergy.com
>
>

-- >
> From: Maureen Barloco > Sent: Friday, June 24, 2005 10:25 AM > To: Sevil Yaman > Subject: KeySpan Energy Delivery CA > > > > Hello Sevil: > > > > Attached please find the KeySpan Energy Delivery CA. I have attached > both a red line and clean version for ease of comparison. > > > > Thank you, > > Maureen > > > > Maureen Barloco > Administrative Assistant, Legal > 1200 Smith Street, Suite 900 > Houston, TX 77002 > Phone: 832-397-1718 > Facsimile: 832-397-1749 > > > >

-- >
Name: Keyspan CA - Draft 01 CL.dOC > Keyspan CA - Draft 01 CL.dOC Type: WINWORD File (application/msword) > Encoding: base64 > Download Status: Not downloaded with message > > Name: Keyspan CA - Draft 01 RL.dOC > Keyspan CA - Draft 01 RL.dOC Type: WINWORD File (application/msword) > Encoding: base64 > Download Status: Not downloaded with message

Cheryl M. Kimball

-------- Original Message --------
Subject: Re: Questions on the RFP
Date: Tue, 28 Jun 2005 14:01:32 -0400
From: Joseph Pradas <jpradas@keyspanenergy.com>
Organization: KeySpan
To: Sevil Yaman <syaman@sequentenergy.com>
References:
<BC50FC127CD1704597E340BDF4CE00380742A3@txhoup03w.corp.aglrsc.com>

Sevil,

I certainly can appreciate the time constraint, but as of right now, we are holding to the stated timeline.

Regards,
Joe

Sevil Yaman wrote:

>Joe,
>
>RFP mentions June 30, 2005 as deadline for submitting questions. Given
>the fact that we received all the portfolio info just yesterday, do you
>think that we can have some extension on this date?
>
>Thanks,
>
>
>Sevil Yaman
>Manager, Structuring
>
>
>
>1200 Smith Street, Suite 900
>Houston, TX 77002
>
>office - 832-397-8647
>cell - 713-304-5037
>fax - 832-397-1709
>mail to: syaman@sequentenergy.com
>

>
>-----Original Message-----
>From: Joseph Pradas [mailto:jpradas@keyspanenergy.com]
>Sent: Friday, June 24, 2005 12:25 PM
>To: Sevil Yaman
>Subject: [Fwd: Re: [Fwd: FW: KeySpan Energy Delivery CA]]
>
> Sevil,
>
>CA is okay. Please execute and forward with Intent to Respond form.
>
>Regards,
>Joe
>
>-------- Original Message --------
>Subject: Re: [Fwd: FW: KeySpan Energy Delivery CA]
>Date: Fri, 24 Jun 2005 12:30:57 -0400
>From: "Cynthia R. Clark" <cclark@keyspanenergy.com>
>Organization: KeySpan
>To: Joseph Pradas <jpradas@keyspanenergy.com>
>References: <42BC2A5E.3060801@keyspanenergy.com>
>
>
>
>Joe,
>This is fine.
>Cindy
>
>Joseph Pradas wrote:
>
>
>
>> Cindy,
>>
>>Plse see attached CA.
>>Thx.
>>
>>Joe
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>>-------- Original Message --------
>>Subject: FW: KeySpan Energy Delivery CA
>>Date: Fri, 24 Jun 2005 10:38:52 -0500
>>From: Sevil Yaman
>>To: jpradas@keyspanenergy.com
>>CC: Harry Collins
>>
>>Joe,
>>
>>
>>

>>Please see the attached CA. As I mentioned before except the state of
>>governing law there is no change. Please let me know your comments.
>>
>>
>>
>>Cheers,
>>
>>
>>
>>Sevil Yaman
>>
>>Manager, Structuring
>>
>>
>>
>>
>>
>>1200 Smith Street, Suite 900
>>
>>Houston, TX 77002
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>>
>>office - 832-397-8647
>>
>>cell - 713-304-5037
>>
>>fax - 832-397-1709
>>
>>mail to: syaman@sequentenergy.com
>>
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>
>>From: Maureen Barloco
>>Sent: Friday, June 24, 2005 10:25 AM
>>To: Sevil Yaman
>>Subject: KeySpan Energy Delivery CA
>>
>>
>>
>>Hello Sevil:
>>
>>
>>
>>Attached please find the KeySpan Energy Delivery CA. I have attached
>>both a red line and clean version for ease of comparison.

>>
>>
>>
>>Thank you,
>>
>>Maureen
>>
>>
>>
>>Maureen Barloco
>>Administrative Assistant, Legal
>>1200 Smith Street, Suite 900
>>Houston, TX 77002
>>Phone: 832-397-1718
>>Facsimile: 832-397-1749
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>> Name: Keyspan CA - Draft 01
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>CL.dOC
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>> Keyspan CA - Draft 01 CL.dOC Type: WINWORD File
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>(application/msword)
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>
>> Encoding: base64
>> Download Status: Not downloaded with
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>message
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>> Name: Keyspan CA - Draft 01
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>RL.dOC
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>
>> Keyspan CA - Draft 01 RL.dOC Type: WINWORD File

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>>
>(application/msword)
>
>
>> Encoding: base64
>> Download Status: Not downloaded with
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>message
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-------- Original Message --------
Subject: Mass. RFP
Date: Tue, 28 Jun 2005 14:10:07 -0500
From: Garza, Lisset <LGARZA@Coral-Energy.com>
To: Joe Pradas (E-mail) <jpradas@keyspanenergy.com>

Joe,

I am requesting clarification on the following items:

* Per data provided under Supply Resources KeySpan indicates it will manage the supply in the scenario associated capacity to get supply to the gate is released to Asset Manager how does compliance with shipper must hold title occur * The contract that was provided is it KeySpan's expectations to receive a redline from the bidding party or will this be handled at a future point (after deal is awarded) * Is KeySpan open to an agency arrangement of the assets or a only a capacity release of all assets * Management fee to be paid to KeySpan for the optimization of the assets does that need to be a stand alone item or can it be imbedded into the supply price * Supply price is KeySpan looking for least cost, weighted average or other pricing mechanism *Price Tier spreadsheet are order of supply source listed represent order gas is supplied and should be priced * Is LNG part of RFP or not an option

Thanks for your attention to these questions. As we continue the evaluation we will submit additional questions.

Lisset Garza

Shell Trading Gas & Power
909 Fannin St., Houston, TX 77010, USA

Tel: +713-767 5470 Fax: +713 265 5470
Email: lgarza@coral-energy.com
Internet: http://www.shell.com

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-------- Original Message --------
Subject: [Fwd: Cargill Request for Extension]
Date: Thu, 30 Jun 2005 10:16:43 -0400
From: Joseph Pradas <jpradas@keyspanenergy.com>
Organization: KeySpan
To: Dino C Papetti <dpapetti@keyspanenergy.com>

FYI

Joe

-------- Original Message --------
Subject: Cargill Request for Extension
Date: Wed, 22 Jun 2005 17:29:36 -0400
From: "Cynthia R. Clark" <cclark@keyspanenergy.com>
Organization: KeySpan
To: Joseph G Pradas <jpradas@keyspanenergy.com>
CC: "John E. Allocca" <jallocca@keyspanenergy.com>

Joe,
FYI-
Craig Adams of Cargill met with John Allocca today and asked whether an extension of time to prepare a response to the RFP would be possible. John said he (Craig Adams) would have to consult with you on that. Cindy

Cheryl M. Kimball

15

-------- Original Message --------
Subject: Mass. RFP - Status
Date: Fri, 01 Jul 2005 18:20:40 -0400
From: Joseph Pradas <jpradas@keyspanenergy.com>
Organization: KeySpan
To: jfeinstein@keyspanenergy.com, smccauley@keyspanenergy.com, jallocca@keyspanenergy.com, earangio@keyspanenergy.com, ncianflone@keyspanenergy.com, mleippert@keyspanenergy.com, jvaughn@keyspanenergy.com, tkain@keyspanenergy.com, mreges@keyspanenergy.com, lmarilla@keyspanenergy.com, cclark@keyspanenergy.com, rvisconti@keyspanenergy.com, nculliford@keyspanenergy.com, toneill@keyspanenergy.com, tpoe@keyspanenergy.com, dpapetti@keyspanenergy.com
CC: Joseph F Bodanza Jr <jbodanza@keyspanenergy.com>, Richard A Rapp Jr <rrapp@keyspanenergy.com>, RONALD LUKAS <rlukas@keyspanenergy.com>, Michael A Walker <mwalker@keyspanenergy.com>

Following is a brief update on the Mass RFP process:

1. 23 potential bidders were contacted;
2. 14 potential bidders have executed a CA and completed an Intent to Respond form (see attachment); 3. No potential bidder has submitted a decline to bid notice; 4. The first batch or round of questions and responses, dated 7/1/05, has been completed (Please note that due to the mostly "procedural" nature of the first set of questions, said questions were circulated to just a few RFP team members for their review and comment); 5. A significant number of additional questions were received late yesterday, and they will be circulated to the larger RFP team for review and comment on Tuesday, July 5th.

I'll keep you posted as things develop.

Joe

Massachusetts RFP for Portfolio Management Services
List of Potential Bidders

7/1/2005

	Company	Contact	Office	Fax	Email
	Anadarko	Wanda Marcell 1200 Timberloch Place The Woodlands, Texas 77380	(832) 636-7155	(832) 636-7181	wanda_marcell@anadarko.com
1	BP Energy	Paul Mugridge Manager Market Development BP Energy 501 Westlake Park Blvd. Houston, TX 77079	(281) 366-2567	(281) 366-4969	paul.mugridge@BP.com
	Burlington Resources	Dan McAstocker Burlington Resources Canada Ltd. 2100 - 250 6th S.W. Calgary, Alberta T2P-3H7	(403) 260-8057	(403) 269-8236	DMcAstocker@br-inc.com
2	Cargill	Craig Adams Director, Marketing & Business Development Cargill Power & Gas Markets 12700 Whitewater Dr. Minnetonka, MN 55343-9439	(952) 984-3301	(952) 984-3607	craig_adams@cargill.com
	Chevron Texaco	Don Cullum Regional Director - Gulf Coast Natural Gas Marketing - U.S. Chevron Natural Gas 1500 Louisiana Street, Third Floor Houston, TX 77002	(832) 854-5032	(832) 854-3293	doncullum@chevrontexaco.com
3	Cinergy	Chris Fischer - Director, Origination Cinergy Marketing & Trading, LP 1100 Louisiana St, Suite 4900 Houston, TX 77002	(713) 393-6846	(713) 890-3134	chris.fischer@cinergy.com
4	ConocoPhillips	Jeff Brant Director, NE Origination ConocoPhillips Gas & Power 5795 Widewaters Parkway #201 DeWitt, NY 13214	(315) 453-7353	(315) 453-7355	jeff.brant@conocophillips.com
	Constellation	David Dahlem 23 Franklin Woods Road Somers, Ct 06071	(860) 763-5015	(860) 763-5016	david.dahlem@constellation.com
5	Coral (Shell)	Lisset Garza Shell Trading Gas & Power 909 Fannin St. Houston, TX 77010	(713) 767-5470	(713) 265-5470	lgarza@coral-energy.com
	DeutscheBank	Allan Kessler Deutsche Bank AG New York 60 Wall Street 5th Floor New York, NY 10005	(212) 250-8693		allan.kessler@db.com
	Devon	Ken Ballard 20 North Broadway, BOC 7.16 Oklahoma City, OK 73102-8260	(405) 228-8285	(405) 228-8372	ken.ballard@dvn.com
6	DTE Energy	Sharon Crow East Origination DTE Energy Trading 414 S. Main Street Suite 200 Ann Arbor, MI 48104	(734) 887-2135	(734) 887-2104	crows@dteenergy.com

	Company	Contact	Office	Fax	Email
	EnCana	Haig Vejprava Director of Marketing 1800, 855 2nd Street S.W. P.O. Box 2850 Calgary, Alberta T2P 2S5	(403) 645-4316		haig.vejprava@encana.com
	ExxonMobil	Guangtao Zhu ExxonMobil Gas & Power Marketing 800 Bell Street, Room 3562R Houston, TX 77002	(713) 656-6297	(713) 656-2727	guangtao.zhu@exxonmobil.com
7	Marathon Oil	Jim Bowden Marathon Oil P.O. Box 3128 Houston, TX 77253-3128	(713) 296-3700	(713) 296-4481	jrbowden@marathonoil.com
8	Merrill Lynch	David Stratton Lon Tiemann Chris Beggins 20 East Greenway Plaza Suite 700 Houston, TX 77046	(713) 544-4400 (713) 544-7758 (713) 544-7761		david_stratton@ml.com lon_tiemann@ml.com chris_beggins@ml.com
	Morgan Stanley	Robert Faitell Morgan Stanley Trading Floor 2000 Westchester Ave. Purchase, NY 10577	(914) 225-1460		robert.faitell@morganstanley.com
9	ONEOK	Phill May Director of Origination - Northeast Region ONEOK Energy Services 100 W. Fifth Street Suite 1600 Tulsa, OK 74103-4298	(918) 591-5169	(918) 591-5130	Phill.May@oneok.com
10	Sempra	Scott La Shelle Director Sempra Energy Trading Corp. 58 Commerce Rd. Stamford, CT 06902	(203) 355-5087		slashelle@sempratrading.com
11	Sequent	Pete Tumminello Sequent Energy Management 1200 Smith Street Suite 900 Houston, TX 77002	(832) 397-3742	(832) 397-1709	ptummine@sequentenergy.com
12	Sprague	Claude Peyrot 2 International Drive Suite 200 Portsmouth, NH 03801-6809	(603) 430-7254		cpeyrot@spragueenergy.com
13	Tenaska	Kristen Gould Manager, Marketing 3050, 300 - 5th Avenue S.W. Stock Exchange Tower Calgary, AB T2P 3C4	(403) 716-1382	(403) 716-1375	kgould@tmvgas.com
14	UBS Warburg	Patrice Thurston UBS Energy Desk 677 Washington Boulevard Stamford, CT 06901	(203) 719-8503	(203) 719-1056	patrice.thurston@ubs.com

Note: A. 23 potential bidders were contacted.
14 potential bidders have executed a Confidentiality Agreement and Intent to Respond form (highlighted companies).
B. No potential bidder has submitted a decline to bid notice.

Massachusetts RFP for Portfolio Management Services
Bidders Questions & Responses

Response to Proposal Clarification Questions (7/01/05)

1. Is Merrill Lynch going to have a last look or right of first refusal on this RFP?

   Response: No, in both instances.

2. Is Merrill Lynch going to be involved in any way with the review and analysis of the responses?

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3. Is an extension going to be given to the July 15, 2005 bid due date?

   Response: No extension is being contemplated at the present time.

4. Is an extension going to be given to the June 30, 2005 deadline for submitting questions?

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5. The RFP stipulates that responses be firm in nature and binding upon the respondent, until November 1, 2005. Will KeySpan accept non-firm bids relative to price and/or the November 1, 2005 date?

   Response: Section II.B.3 of the RFP states that the bids must be firm, with the price quote and other terms firm until November 1, 2005. It is up to the bidder to assess the risk of having their bid disqualified as a result of submitting a non-conforming bid.

6. Can the capacity be released to Portfolio Manager? If Supply is managed by KeySpan - what occurs so that the Portfolio Manager has title of gas to transport to the citygate? If the answer is no next question is - KeySpan holds both capacity and Supply, then is the Portfolio Manager not responsible for a portion of the load at the citygate equaling this total? This second question applies to each situation that KeySpan maintains the capacity. In modeling, should the Portfolio Manager assume baseload to citygate for all KeySpan managed capacity.

Response: Yes, capacity can be released to the Asset Manager. In Exhibit D-1 of the RFP, there are two categories listed under Supply Resources and Transportation - Company Managed and Released to Asset Manager ("AMA"). It will be the responsibility of KeySpan to schedule and nominate to the city gate all of the contracts with an "X" in boxes in the Company Managed column. Likewise, all contracts listed with an "X" in the boxes in the Released to AMA column will be performed as a capacity release by the Portfolio Manager.

7. Is it KeySpan's expectations to receive a redline from the bidding party or will this be handled at a future point (after deal is awarded)?

Response: Section II.B.1 of the RFP states that the bidders should "identify any exceptions to the Agreement attached as Exhibit C and indicate suggested alternate language for the exceptions". This is to be submitted with the initial bid.

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Response: KeySpan is currently not considering an agency arrangement. KeySpan will release capacity to the successful bidder all of the non Company Managed Assets as defined/identified in the RFP.

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Response: KeySpan is looking for the least overall cost.

11. Is the listing of supply source in particular order i.e., Tennessee Domestic Baseload/Swing Tiers:

Zn 1, 100 leg
Zn 0, 100 leg
Zn 1, 800 leg
Zn 1, 500 leg

Are you required to fill load in that exact order or can you do Zn 1 500 leg before Zn 0 100 leg?

Response: Section 4.1.1 of the Agreement states that "supply will be priced as if sourced from each tier sequentially until each tier is exhausted, up to the Buyer's MDQ". There is no layering within the respective tiers. Each individual zone within the respective tiers contributes a pro-rata share of the overall tier volume. It is left to the discretion of the bidders to present a different (albeit non-conforming) pricing or tier structure.

12. Is LNG part of RFP or not an option?

Response: LNG is a Company Managed Asset set forth on Exhibit D-6 to the RFP. See Response # 6. It is left to the discretion of bidders to present options for LNG utilization.

13. With regard to Demand Charges, will Buyer reimburse Portfolio Manager for all demand charges associated with all the assets released?

Response: Yes, subject to the terms and conditions as described in the Agreement.

14. Will KeySpan accept bids that are non-binding or firm but require Board Approval?

Response: See Response #5.

-------- Original Message --------
Subject: Re: RFP Questions
Date: Thu, 30 Jun 2005 10:33:03 -0400
From: Sharon T Crow <crows@dteenergy.com>
To: Joseph Pradas <jpradas@keyspanenergy.com>
CC: Anthony Targan <targana@dteenergy.com>, Kevin Watler <watlerk@dteenergy.com>, Steven C Mabry <mabrys@dteenergy.com>

Joseph,

Attached please find some questions prepared by DTE/CTC regarding the Asset Management RFP. I may also be sending some additional questions regarding the transportation portfolio later this afternoon. Should you have any comments regarding the attached material, please do not hesitate to contact me.

Have a safe Holiday weekend!

Cordially,

Sharon Crow
East Origination
DTE Energy Trading
734-887-2135
734-777-2178 (cell)
AOL IM: hockeymumsrule

(See attached file: keyspanrfpquestions.doc)

Questions pertaining to Request for Proposal dated June 17, 2005

Administrative (Legal, Credit, Corporate)

1. Does an Asset Management Draft/Sample Agreement exist that KeySpan could provide for legal review?

2. Will a Precedent Agreement be signed between the KeySpan and the winning bidder while the final Asset Management Agreement is negotiated?

3. Upon assignment or release of transport/storage assets to winning bidder, shall all agreements be subject to bulletin board bidding?

4. Will KeySpan be providing "back up" credit assurances to the pipeline entities or will winning bidder be required to provide all additional credit assurances if deemed necessary by those said entities?

5. Are all upstream supply agreements assignable based on creditworthiness, and good industry standing? In the event, an entity objects to assigning their agreement to winning bidder, what will be the recourse?

6. If a bidder requires Board and Senior Management approvals for entering into such a term agreement, are there allowances for a firm bid to be subject to overall Management review? Would that disallow the bid from consideration?

7. With regard to contract extensions, what will be the notification period provided by KeySpan to winning bidder? Will the extensions include pricing tier revisions? Shall the extensions require additional contract language or will that be part of the initial agreement?

Regulatory

1. Is the Asset Management Agreement subject to what regulatory reviews?

    a. State
    b. Federal
    c. Others

2. Is the Asset Management transaction subject to annual review by these same governmental bodies?

3. What is the process in "unwinding" the transaction should one of the regulatory reviews deem the transaction between KeySpan and bidder non-prudent to rate payers?

Pricing/Transaction Structure

1. Should a management fee payable to KeySpan be proposed, does KeySpan require that payment to be upfront, or can the payments be on a monthly basis e.g. deductible from the demand charges/transport fees/storage fees due bidder from Keyspan?

2. Pertaining to a "sharing" mechanism, those monies owed to KeySpan from bidder be deducted from those fees owed to bidder, or shall separate invoicing occur and the funds be netted out?

3. Can Keyspan provide examples and/or documentation of the following;

    a. Tier Pricing (least cost dispatch)
    b. Paper Storage Accounting
    c. Historical Storage Usage
    d. Historical usage pattern
    e. Nomination forms
    f. Outstanding Pipeline/Storage Imbalances
    g. LNG usage pattern

4. Other than "slice of service" reduction for retail providers, what agreements does KeySpan anticipate not renewing with either transport or storage providers? Dependent upon the forecasted volume of usage and assets available, the value assigned to this transaction may be adversely affected should agreements expire.

5. How will "sharing" mechanism transactions be accounted for? Documented? Agreed upon (e.g. market intelligence/market information sharing)?

6. Will the current asset manager be permitted to assist KeySpan in reviewing the bids associated in this RFP?

Staff

1. How many personnel are expected from each entity to manage this transaction? Front office, mid office, back office?

2. Does KeySpan require bidder's employees to be located in their offices? If so, how many? From what area?

3. Does KeySpan require any of its personnel to reside in bidder's office location?

4. **How will expenses for personnel be handled? Should expected costs for travel, etc. be included in the bid or will there be an exception/process to follow agreed upon between both companies?**

Assets (Transport, Storage, etc.)

1. **All questions pertaining to the assets shall be forthcoming under separate cover.**

-------- Original Message --------
Subject: [Fwd: Re: RFP Questions]
Date: Thu, 30 Jun 2005 13:45:57 -0400
From: Joseph Pradas <jpradas@keyspanenergy.com>
Organization: KeySpan
To: Nancy G. Culliford <nculliford@keyspanenergy.com>, Dino C Papetti <dpapetti@keyspanenergy.com>

We spoke too soon. Here is a boat load of questions I'll format them and send them off for review sometime tomorrow.

By the way, I spoke with Sharon Crow and she said that the questions were prepared before they had a chance to closely review the Exhibits, so she said that many of them will probably fall in the "self-explainatory category" - let's hope so.

I'm sending them to you as a heads-up.

Joe

-------- Original Message --------
Subject: Re: RFP Questions
Date: Thu, 30 Jun 2005 10:33:03 -0400
From: Sharon T Crow <crows@dteenergy.com>
To: Joseph Pradas <jpradas@keyspanenergy.com>
CC: Anthony Targan <targana@dteenergy.com>, Kevin Watler <watlerk@dteenergy.com>, Steven C Mabry <mabrys@dteenergy.com>

Joseph,

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Have a safe Holiday weekend!

Cordially,

Sharon Crow

East Origination
DTE Energy Trading
734-887-2135
734-777-2178 (cell)
AOL IM: hockeymumsrule

(See attached file: keyspanrfpquestions.doc)

-------- Original Message --------
Subject: Questions RE: KeySpan RFP for Portfolio Mgmt Srvcs
Date: Thu, 30 Jun 2005 13:23:29 -0500
From: Sandra Dudley <sdudley@tmvgas.com>
To: jpradas@keyspanenergy.com

Joseph,

Please find attached Tenaska's questions regarding the Request for Proposals for Portfolio Management Services on Behalf of Boston Gas Company, Colonial Gas Company, and Essex Gas Company, All d/b/a KeySpan Energy Delivery New England.

As a favor, could you please reply to this e-mail to confirm its receipt. Thank you.

Sandra Dudley
Tenaska Marketing Ventures
402-758-6213

Tenaska Marketing Ventures/
Tenaska Marketing Canada

Questions Regarding RFP for Portfolio Management Services On Behalf Of Boston Gas Company, Colonial Gas Company, And Essex Gas Company, All D/B/A KeySpan Energy Delivery New England

1) Does Buyer have any discounted transport that would revert to maximum rates when moved out of path? If so, please provide relevant details.
2) Are there any receipt/delivery point restrictions on any of the transportation contracts? If so, please provide relevant details.
3) Does Buyer have any off-system obligations or obligations beyond its load?
4) Please describe any operational balancing agreements Buyer has in place.
5) When will Buyer notify Portfolio Manager of the monthly capacity recalls and reassignments under the unbundling program? How much has Buyer's MDQ under the Portfolio Management Arrangement changed on a monthly basis over the past two years as a result of Buyer's gas unbundling program?
6) How important is the option for Keyspan to extend the term of the arrangement for up to two additional one-year periods? Under what conditions would Keyspan extend the term of the arrangement?
7) Will the Portfolio Manager be allowed to optimize around baseload (monthly) supply purchased by Buyer?
8) Will "Company Managed Assets" be available for Portfolio Manager to optimize?
9) Will Buyer partition the deal by utility (i.e. Colonial Gas only)?
10) The Boston Gas schematic infers that the load is interchangeable between Tennessee and Algonquin. What percentage is interchangeable? Are there any limitations? Will the Portfolio Manager be allowed to decide whether to use Tennessee or Algonquin to serve a given portion of the load?
11) For the Canadian Baseload Tier of gas supply and transport, it appears that Buyer has long term gas supply contracts to satisfy this tier of gas, and that Buyer will continue to manage the transportation necessary for this gas supply. What role, if any, does Buyer envision for Seller with respect to this portion of supply and transportation?
12) What volume (in Bcf) of fixed price transactions does Buyer typically trigger with its Portfolio Manager during a given contract year?
13) What quantity of gas supply does Buyer typically purchase from its Portfolio Manager during any given contract year?
14) For the summer underground storage refill, does Buyer assume gas is injected ratably during the April through October period? Does Buyer retain any rights under the Portfolio Management Arrangement to vary the injection quantities by month during the summer?
15) Since the Summer Index is computed at the end of the summer injection period, how does Buyer intend to pay for gas injected into storage during the summer? Will Buyer pay Seller for gas injected into storage at the end of the summer, or will Buyer pay Seller for gas injected into storage on a ratable basis during each month of the summer?
16) The magnitude of the "Initial Underground Actual Storage Balance" that will exist on April 1, 2006 could have a material impact on the value of the Portfolio Management arrangement. What factors will influence this amount? Are there any existing contractual requirements that will influence this amount?
17) Under what type of circumstances would Buyer revise its asset listing?

00068

18) What method will be used to adjust transportation fees as capacity is added/deleted?

19) If a portion of the value in Seller's bid is derived from a pricing relationship using NYMEX or Basis Hedges, is it acceptable to have Seller's firm offer be subject to adjustment based on changes in market conditions for such NYMEX and Basis Hedges?

20) Will Buyer accept a bid for the management of its assets without requiring the Portfolio Manger to sell it supply?

21) Please verify that all capacities provided in the exhibits are net capacity positions (i.e. total capacity less that dedicated for unbundled customers).

22) In Section V. of the RFP under "Gas Supply Obligations" it reads that, "upon hitting a storage ratchet based on Buyer's Paper Storage Balance, Seller shall remain obligated to sell and deliver up to Buyer's MDQ..." Please clarify what this means.

23) Please provide historical load data by gate. Also please specify (by gate) the amount served by third parties.

24) Please outline any tax obligations.

00069

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-------- Original Message --------
Subject: Questions relating to RFP dated June 17, 2005
Date: Thu, 30 Jun 2005 20:40:03 +0100
From: Mugridge, Paul T <paul.mugridge@bp.com>
To: Joseph Pradas <jpradas@keyspanenergy.com>

Joe, here are a series of questions that BP would like to have answered. Hopefully, they are clear and concise, however, feel free to give me a call should you not understand or need further clarification of these questions.

Thanks

Paul Mugridge
Manager Market Development
Office: 281-366-2567
Cell: 713-857-2428
Fax: 281-366-4929
Email: paul.mugridge@bp.com

June 30, 2005

Questions for KeySpan NE in regards to RFP for Portfolio Management

Submitted by: Paul Mugridge
BP Energy Company
O – 281-366-2567
C – 713-857-2428
paul.mugridge@bp.com

Pricing:

Under the Price Section, the Demand Charges "Reasonably Incurred" by the Portfolio Manager will be reimbursed. Under what cases would the Buyer refuse to reimburse the Portfolio Manager for Demand Charges incurred on the Buyer's assets released to Portfolio Manager?

Is there any difference between the Winter and Summer Price Tiers?

Capacity Release:

Capacity Release – is Bidder responsible for releasing capacity to marketers under KeySpan's Unbundling Program?

Will KEDNE release capacity to Bidder each month for all pipeline storage and transportation contracts or only those contracts included in KEDNE Unbundling Program?

Does the list of contracts included with this RFP include or exclude capacity released under KEDNE's Unbundling Program? If included please provide the currently released volumes for each contract and potential range of releases for each contract.

Transport Contracts:

Please identify all transportation contracts with discounted rates and provide the appropriate demand, commodity and fuel charges for these contracts.

Many transportation contracts have expiration dates that occur during the proposed term of the RFP. For these contracts please identify if they will be renewed, at what quantity level they will be renewed & if not renewed how will supply be sourced or what asset will be used to replace the expired contract.

Company Managed Supplies:

Many of the company managed supplies expire during the proposed term of the RFP. Will the successful Bidder be required to replace these supplies as they expire? If so, on what terms?

Baseload Volumes:

Can KEDNE provide a reasonable estimate of Baseload volumes, by month, for the proposed term of the transaction?

Proposed "Contract" between the Parties:

Sec. 5.1 (c) please further define … "Seller expressly acknowledges that any recall of underground storage contracts shall result in the conveyance of title to the Paper Storage Balance to Buyer."

Sec. 5.2.2 what are the limits of the OBAs on TGP and AGT

Reports:

Would KEDNE provide samples of the monthly and daily reports desired, particularly the "Daily Allocation" report.

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-------- Original Message --------
Subject: Parental Guarantee
Date: Thu, 30 Jun 2005 23:54:11 +0100
From: Mugridge, Paul T <paul.mugridge@bp.com>
To: Joseph Pradas <jpradas@keyspanenergy.com>

I noticed there is a Parental Guarantee attached to the back of the contract. Is KEDNE expecting the successful bidder to sign the guarantee? Or is that a negotiated item depending on the company?

Paul Mugridge
Manager Market Development
Office: 281-366-2567
Cell: 713-857-2428
Fax: 281-366-4929
Email: paul.mugridge@bp.com

-------- Original Message --------
Subject: KeySpan Mass RFP
Date: Thu, 30 Jun 2005 19:23:56 -0500
From: Garza, Lisset <LGARZA@Coral-Energy.com>
To: Joe Pradas (E-mail) <jpradas@keyspanenergy.com>

Joe,

We have the following request:

* Daily historical utilization of storage and the pipes

Hopefully you will still take this request. I have been in meeting all afternoon. Thanks

Lisset Garza

Shell Trading Gas & Power
909 Fannin St., Houston, TX 77010, USA

Tel: +713-767 5470 Fax: +713 265 5470
Email: lgarza@coral-energy.com
Internet: http://www.shell.com

-------- Original Message --------
Subject: Re: [Fwd: Re: RFP Questions]
Date: Fri, 01 Jul 2005 09:58:48 -0400
From: Nancy Culliford <nculliford@keyspanenergy.com>
To: Joseph Pradas <jpradas@keyspanenergy.com>
CC: Dino C Papetti <dpapetti@keyspanenergy.com>, Jennifer Feinstein <jfeinstein@keyspanenergy.com>, Stephen A Mc Cauley <smccauley@keyspanenergy.com>, "John E. Allocca" <jallocca@keyspanenergy.com>, Elizabeth Danehy Arangio <earangio@keyspanenergy.com> References:
<42C42FD5.2050700@keyspanenergy.com>

Joe:
I have read over the questions. Several of these will need to be answered by our Legal Department. Rich Rapp or John Vaughn I believe will need to weigh in on the discussion about staffing? Please let me know how you would like to proceed about coordinating responses with the various groups.

Nancy

Joseph Pradas wrote:

> We spoke too soon. Here is a boat load of questions I'll format them and
> send them off for review sometime tomorrow.
>
> By the way, I spoke with Sharon Crow and she said that the questions
> were prepared before they had a chance to closely review the Exhibits,
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> Date: Thu, 30 Jun 2005 10:33:03 -0400
> From: Sharon T Crow <crows@dteenergy.com>
> To: Joseph Pradas <jpradas@keyspanenergy.com>
> CC: Anthony Targan <targana@dteenergy.com>, Kevin Watler
> <watlerk@dteenergy.com>, Steven C Mabry <mabrys@dteenergy.com>

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> Cordially,
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> Sharon Crow
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> 734-887-2135
> 734-777-2178 (cell)
> AOL IM: hockeymumsrule
>
>
> (See attached file: keyspanrfpquestions.doc)
>

Cheryl M. Kimball

24

-------- Original Message --------
Subject: Mass. RFP - Questions & Responses - July 1, 2005
Date: Fri, 01 Jul 2005 16:30:58 -0400
From: Joseph Pradas <jpradas@keyspanenergy.com>
Organization: KeySpan

The RFP for Management Services for KeySpan's Massachusetts Gas Portfolio, dated June 17, 2005, provides for all questions submitted by potential bidders as well as KeySpan's responses, to be shared with all potential bidders who have returned a Notice of Intent to Respond Form and a Confidentiality Agreement.

Attached is the first set of questions and responses, dated July 1, 2005.

Regards,
Joe

Massachusetts RFP for Portfolio Management Services
Bidders Questions & Responses

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1. Is Merrill Lynch going to have a last look or right of first refusal on this RFP?

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Response: Yes, capacity can be released to the Asset Manager. In Exhibit D-1 of the RFP, there are two categories listed under Supply Resources and Transportation - Company Managed and Released to Asset Manager ("AMA"). It will be the responsibility of KeySpan to schedule and nominate to the city gate all of the contracts with an "X" in boxes in the Company Managed column. Likewise, all contracts listed with an "X" in the boxes in the Released to AMA column will be performed as a capacity release by the Portfolio Manager.

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<u>Response</u>: Yes, subject to the terms and conditions as described in the Agreement.

14. Will KeySpan accept bids that are non-binding or firm but require Board Approval?

<u>Response</u>: See Response #5.

Cheryl M. Kimball

25

-------- Original Message --------
Subject: Mass. RFP - Status
Date: Fri, 01 Jul 2005 18:20:40 -0400
From: Joseph Pradas <jpradas@keyspanenergy.com>
Organization: KeySpan
To: jfeinstein@keyspanenergy.com, smccauley@keyspanenergy.com, jallocca@keyspanenergy.com, earangio@keyspanenergy.com, ncianflone@keyspanenergy.com, mleippert@keyspanenergy.com, jvaughn@keyspanenergy.com, tkain@keyspanenergy.com, mreges@keyspanenergy.com, lmarilla@keyspanenergy.com, cclark@keyspanenergy.com, rvisconti@keyspanenergy.com, nculliford@keyspanenergy.com, toneill@keyspanenergy.com, tpoe@keyspanenergy.com, dpapetti@keyspanenergy.com
CC: Joseph F Bodanza Jr <jbodanza@keyspanenergy.com>, Richard A Rapp Jr <rrapp@keyspanenergy.com>, RONALD LUKAS <rlukas@keyspanenergy.com>, Michael A Walker <mwalker@keyspanenergy.com>

Following is a brief update on the Mass RFP process:

1. 23 potential bidders were contacted;
2. 14 potential bidders have executed a CA and completed an Intent to Respond form (see attachment); 3. No potential bidder has submitted a decline to bid notice; 4. The first batch or round of questions and responses, dated 7/1/05, has been completed (Please note that due to the mostly "procedural" nature of the first set of questions, said questions were circulated to just a few RFP team members for their review and comment); 5. A significant number of additional questions were received late yesterday, and they will be circulated to the larger RFP team for review and comment on Tuesday, July 5th.

I'll keep you posted as things develop.

Joe

Massachusetts RFP for Portfolio Management Services
Bidders Questions & Responses

Response to Proposal Clarification Questions (7/01/05)

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   Response: No, in both instances.

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Response: KeySpan is currently not considering an agency arrangement. KeySpan will release capacity to the successful bidder all of the non Company Managed Assets as defined/identified in the RFP.

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Zn 1, 100 leg
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Zn 1, 800 leg
Zn 1, 500 leg

Are you required to fill load in that exact order or can you do Zn 1 500 leg before Zn 0 100 leg?

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12. Is LNG part of RFP or not an option?

Response: LNG is a Company Managed Asset set forth on Exhibit D-6 to the RFP. See Response # 6. It is left to the discretion of bidders to present options for LNG utilization.

13. With regard to Demand Charges, will Buyer reimburse Portfolio Manager for all demand charges associated with all the assets released?

Response: Yes, subject to the terms and conditions as described in the Agreement.

14. Will KeySpan accept bids that are non-binding or firm but require Board Approval?

Response: See Response #5.

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-------- Original Message --------
Subject: RE: Mass. RFP - Questions & Responses - July 1, 2005
Date: Tue, 05 Jul 2005 10:20:21 -0500
From: Sevil Yaman <syaman@sequentenergy.com>
To: Joseph Pradas <jpradas@keyspanenergy.com>

Joe,

I assume this is the first set of answers and they'll be followed with more. Also, as we keep working on the portfolio we come up with more questions. What is the procedure for submitting more questions? Can we call you or anyone else from your organization and ask more technical and operational questions?

Thanks,

Sevil Yaman
Manager, Structuring

1200 Smith Street, Suite 900
Houston, TX 77002

office - 832-397-8647
cell - 713-304-5037
fax - 832-397-1709
mail to: syaman@sequentenergy.com

-----Original Message-----
From: Joseph Pradas [mailto:jpradas@keyspanenergy.com]
Sent: Friday, July 01, 2005 3:31 PM
Subject: Mass. RFP - Questions & Responses - July 1, 2005

The RFP for Management Services for KeySpan's Massachusetts Gas Portfolio, dated June 17, 2005, provides for all questions submitted by potential bidders as well as KeySpan's responses, to be shared with all potential bidders who have returned a Notice of Intent to Respond Form and a Confidentiality Agreement.

Attached is the first set of questions and responses, dated July 1, 2005.

Regards,
Joe

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-------- Original Message --------
Subject: Mass. RFP - 2nd Round of Questions
Date: Tue, 05 Jul 2005 12:18:09 -0400
From: Joseph Pradas <jpradas@keyspanenergy.com>
Organization: KeySpan
To: Richard A Visconti <rvisconti@keyspanenergy.com>, Jennifer B Feinstein <jfeinstein@keyspanenergy.com>, "Nancy G. Culliford" <nculliford@keyspanenergy.com>, "John E. Allocca" <jallocca@keyspanenergy.com>, Mark J Leippert <mleippert@keyspanenergy.com>, Thomas P ONeill <toneill@keyspanenergy.com>
CC: Stephen A Mc Cauley <smccauley@keyspanenergy.com>, Dino C Papetti <dpapetti@keyspanenergy.com>, Cynthia R Clark <cclark@keyspanenergy.com>

Attached for your review is the 2nd Round of questions re: Mass. RFP. As per the RFP, we will need to get back to the prospective bidders by this Friday, July 8th. Given this very tight timeline, I would suggest that we look at responding to the questions in as abbreviated manner as possible. With the window for submitting questions having been closed, these questions represent the balance of the questions from the prospective bidders.

I will forward the conference call info for tomorrow's 8:00 am call as soon as it becomes available.

Joe

PS I've attached the first round Q & A for FYI purposes only.

(Draft – 7/5/05)

Massachusetts RFP for Portfolio Management Services
Bidders Questions & Responses

Response to Proposal Clarification Questions (7/08/05)

1. Is the Buyer expecting the Seller to sign a Parental Guarantee? Or is this a negotiated item depending on the company?

   Response:

2. Under the Price Section, the Demand Charges "Reasonably Incurred" by the Portfolio Manager will be reimbursed - under what circumstances would the Buyer refuse to reimburse the Seller for Demand Charges incurred on the Buyer's assets released to the Seller?

   Response:

3. Is there any difference between theWinter and Summer Price Tiers?

   Response:

4. Is the Seller responsible for releasing capacity to marketers under KeySpan's Unbundling Program?

   Response:

5. Will the Buyer release capacity to the Seller each month for all pipeline storage and transportation contracts or only those contracts included in KeySpan's Unbundling Program?

Response:

6. Does the list of contracts included with this RFP include or exclude capacity released under KeySpan's Unbundling Program? If included please provide the currently released volumes for each contract and potential range of releases for each contract.

Response:

7. Please identify all transportation contracts with discounted rates and provide the appropriate demand, commodity and fuel charges for these contracts.

Response:

8. Many transportation contracts have expiration dates that occur during the proposed term of the RFP. For these contracts please identify if they will be renewed, at what quantity level they will be renewed & if not renewed how will supply be sourced or what asset will be used to replace the expired contract?

Response:

9. Many of the company managed supplies expire during the proposed term of the RFP. Will the successful Bidder be required to replace these supplies as they expire? If so, on what terms?

Response:

10. Can the Buyer provide a reasonable estimate of Baseload volumes, by month, for the proposed term of the transaction?

Response:

11. Sec. 5.1 (c) please further define … "Seller expressly acknowledges that any recall of underground storage contracts shall result in the conveyance of title to the Paper Storage Balance to Buyer."

Response:

12. Sec. 5.2.2 what are the limits of the OBAs on TGP and AGT?

Response:

13. Would KeySpan provide samples of the monthly and daily reports desired, particularly the "Daily Allocation" report?

Response:

14. Does Buyer have any discounted transport that would revert to maximum rates when moved out of path? If so, please provide relevant details.

Response:

15. Are there any receipt/delivery point restrictions on any of the transportation contracts? If so, please provide relevant details.

Response:

16. Does Buyer have any off-system obligations or obligations beyond its load?

Response:

17. Please describe any operational balancing agreements Buyer has in place.

Response:

18. When will Buyer notify Portfolio Manager of the monthly capacity recalls and reassignments under the unbundling program? How much has Buyer's MDQ under the Portfolio Management Arrangement changed on a monthly basis over the past two years as a result of Buyer's gas unbundling program?

Response:

19. How important is the option for KeySpan to extend the term of the arrangement for up to two additional one-year periods? Under what conditions would KeySpan extend the term of the arrangement?

Response:

20. Will the Portfolio Manager be allowed to optimize around Baseload (monthly) supply purchased by Buyer?

Response:

21. Will "Company Managed Assets" be available for Portfolio Manager to optimize?

Response:

22. Will Buyer partition the deal by utility (i.e. Colonial Gas only)?

Response:

23. The Boston Gas schematic infers that the load is interchangeable between Tennessee and Algonquin. What percentage is interchangeable? Are there any limitations? Will the Portfolio Manager be allowed to decide whether to use Tennessee or Algonquin to serve a given portion of the load?

Response:

24. For the Canadian Baseload Tier of gas supply and transport, it appears that Buyer has long term gas supply contracts to satisfy this tier of gas, and that Buyer will continue to manage the transportation necessary for this gas supply. What role, if any, does Buyer envision for Seller with respect to this portion of supply and transportation?

Response:

25. What volume (in Bcf) of fixed price transactions does Buyer typically trigger with its Portfolio Manager during a given contract year?

Response:

26. What quantity of gas supply does Buyer typically purchase from its Portfolio Manager during any given contract year?

Response:

27. For the summer underground storage refill, does Buyer assume gas is injected ratably during the April through October period? Does Buyer retain any rights under the Portfolio Management Arrangement to vary the injection quantities by month during the summer?

Response:

28. Since the Summer Index is computed at the end of the summer injection period, how does Buyer intend to pay for gas injected into storage during the summer? Will Buyer pay Seller for gas injected into storage at the end of the summer, or will Buyer pay Seller for gas injected into storage on a ratable basis during each month of the summer?

Response:

29. The magnitude of the "Initial Underground Actual Storage Balance" that will exist on April 1, 2006 could have a material impact on the value of the Portfolio Management arrangement. What factors will influence this amount? Are there any existing contractual requirements that will influence this amount?

Response:

30. Under what type of circumstances would Buyer revise its asset listing?

Response:

31. What method will be used to adjust transportation fees as capacity is added/deleted?

Response:

32. If a portion of the value in Seller's bid is derived from a pricing relationship using NYMEX or Basis Hedges, is it acceptable to have Seller's firm offer be subject to adjustment based on changes in market conditions for such NYMEX and Basis Hedges?

Response:

33. Will Buyer accept a bid for the management of its assets without requiring the Portfolio Manger to sell it supply?

Response:

34. Please verify that all capacities provided in the exhibits are net capacity positions (i.e. total capacity less that dedicated for unbundled customers).

Response:

35. In Section V. of the RFP under "Gas Supply Obligations" it reads that, "upon hitting a storage ratchet based on Buyer's Paper Storage Balance, Seller shall remain obligated to sell and deliver up to Buyer's MDQ…" Please clarify what this means.

Response:

36. Please provide historical load data by gate. Also please specify (by gate) the amount served by third parties.

Response:

37. Please outline any tax obligations.

Response:

38. How large and how dynamic is the unbundling program? Does it change the MDQ AMA has each month? Is their different volumes released each month.

Response:

39. Unbundling program: Any history of the market share?

Response:

40. Unbundling program: Are assets released to marketers across the board pro rata or is there a subset of assets that get assigned?

Response:

41. Explain how the unbundling program can affect the MDQ daily?

Response:

42. How are the MDQs submitted?

Response:

43. Is the MDQ in Nov adjusted in the month to match the change in Transportation rights?

Response:

44. Does that make two tier prices for November for the Domestic Baseload/Swing Tier? (see Qt. # 43)?

Response:

45. Are the MDQ requirements only to the citygate or does buyer have the right to request MDQ deliveries to other locations?

Response:

46. Is asset manager allowed to deliver behind the city gate? To end users or to other marketers/shippers

Response:

47. Will buyer consider paying for all summer storage injections in the summer as opposed to in the winter and paying interest?

Response:

48. Is the summer index strictly a ratable Apr-Oct plan per each pipe/storage facility or weighted average over all facilities? If it is a ratable plan, is this somehow adjusted for No-notice activity (either w/ds or injections)?

Response:

49. Does title to storage gas transfer when put into ground or delivered to citygate? Please clarify "delivery points" definition.

Response:

50. Can you clarify Ending storage balance being priced at the average over subsequent Apr-Oct pricing rather than market price?

Response:

51. Which TETCO and TENN long haul assets are assigned to the underground storage refill?

Response:

52. Is the Nov1 logical fill target 95% or 100%

Response:

53. FSS-1 shows 6154 MDWQ for all 4 inventory levels. Is there only one (or no) ratchet?

<u>Response:</u>

54. Is Seller not exposed to any No-Notice storage costs or allocations?

<u>Response:</u>

55. How are No-notice injections/withdrawals handled?

<u>Response:</u>

56. Will all contracts be released or assigned on a monthly basis due to fluctuating contract MDQ's?

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57. How much fixed price triggering has Keyspan historically done? Is there any hedging program?

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58. Does Keyspan have the right to make third party sales at any time?

<u>Response:</u>

59. Will KeySpan consider making the option to extend the term past the initial 2 years a mutually agreeable option between Buyer and Seller?

<u>Response:</u>

60. If an intra-day change by Buyer requires Seller to increase or decrease its baseload or swing deliveries, will Buyer keep Seller whole if Seller is required to purchase additional intra-day gas or sell-off intra-day gas?

Response:

61. Can you still provide your historical load and temperature data so that we can do our own estimate?

Response:

62. Is there interruptible load history separate from the total load history provided? Is the load history the total send out (including both firm and interruptible customers)?

Response:

63. How should we treat Tennessee ConneXion project in the supply stack?

Response:

64. Can you explain domestic baseload/swing pricing tier? Is it a WACOG of the prices or do volumes fill up the pricing stack that the buyer will give us (i.e. least cost dispatch)?

Response:

65. Peak Period Domestic Baseload Index/Peak Period Domestic Swing Index :
Can you provide us a historical schedule of Baseload and Swing Nominated volumes?

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66. What is the citygate flexibility for supplier to deliver Tenn. vs. AGT? Is there a history or forecast of that split out on the MDQ requirements and on top of that what is the physical flexibility? Is there a rule of thumb about this physical flexibility by temperature or at least by month?

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67. Is there some portion of the storage injection or withdrawal rights that have to be left open for balancing the system?

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68. Third Party Transporter volume impact: do third party transport deliveries to the city gate effect either the MDQ or the physical flexibility to deliver on AGL vs. Tenn.?

Response:

69. Which contracts are the discounted contracts? Can we see the special rates on those contracts?

Response:

70. Does an Asset Management Draft/Sample Agreement exist that KeySpan could provide for legal review?

Response:

71. Will a Precedent Agreement be signed between the KeySpan and the Seller while the final Asset Management Agreement is negotiated?

Response:

72. Upon assignment or release of transport/storage assets to winning bidder, shall all agreements be subject to bulletin board bidding?

Response:

73. Will KeySpan be providing "back up" credit assurances to the pipeline entities or will Seller be required to provide all additional credit assurances if deemed necessary by those said entities?

Response:

74. Are all upstream supply agreements assignable based on creditworthiness, and good industry standing? In the event, an entity objects to assigning their agreement to winning bidder, what will be the recourse?

Response:

75. If a bidder requires Board and Senior Management approvals for entering into such a term agreement, are there allowances for a firm bid to be subject to overall Management review? Would that disallow the bid from consideration?

Response:

76. With regard to contract extensions, what will be the notification period provided by KeySpan to winning bidder? Will the extensions include pricing tier revisions? Shall the extensions require additional contract language or will that be part of the initial agreement - State, Federal, Others?

Response:

77. Is the Asset Management Agreement subject to what regulatory reviews?

Response:

78. Is the Asset Management transaction subject to annual review by these same governmental bodies?

Response:

79. What is the process in "unwinding" the transaction should one of the regulatory reviews deem the transaction between KeySpan and bidder non-prudent to rate payers?

Response:

80. Should a management fee payable to KeySpan be proposed, does KeySpan require that payment to be upfront, or can the payments be on a monthly basis e.g. deductible from the demand charges/transport fees/storage fees due bidder from KeySpan?

Response:

81. Pertaining to a "sharing" mechanism, those monies owed to KeySpan from bidder be deducted from those fees owed to bidder, or shall separate invoicing occur and the funds be netted out?

Response:

82. Can KeySpan provide examples and/or documentation of the following;

- Tier Pricing (least cost dispatch)
- Paper Storage Accounting
- Historical Storage Usage
- Historical usage pattern
- Nomination forms
- Outstanding Pipeline/Storage Imbalances
- LNG usage pattern

Response:

83. Other than "slice of service" reduction for retail providers, what agreements does KeySpan anticipate not renewing with either transport or storage providers? Dependent upon the forecasted volume of usage and assets available, the value assigned to this transaction may be adversely affected should agreements expire.

Response:

84. How will "sharing" mechanism transactions be accounted for? Documented? Agreed upon (e.g. market intelligence/market information sharing)?

Response:

85. Will the current asset manager be permitted to assist KeySpan in reviewing the bids associated in this RFP?

Response:

86. How many personnel are expected from each entity to manage this transaction? Front office, mid office, back office?

Response:

87. Does KeySpan require bidder's employees to be located in their offices? If so, how many? From what area?

Response:

88. Does KeySpan require any of its personnel to reside in bidder's office location?

Response:

89. How will expenses for personnel be handled? Should expected costs for travel, etc. be included in the bid or will there be an exception/process to follow agreed upon between both companies?

<u>Response:</u>

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-------- Original Message --------
Subject: [Fwd: Sequent's questions on Keyspan RFP]
Date: Tue, 05 Jul 2005 18:40:34 -0400
From: Joseph Pradas <jpradas@keyspanenergy.com>
Organization: KeySpan
To: Dino C Papetti <dpapetti@keyspanenergy.com>

Dino,

Round #2 Qts

Joe.

-------- Original Message --------
Subject: Sequent's questions on Keyspan RFP
Date: Thu, 30 Jun 2005 13:10:47 -0500
From: Sevil Yaman <syaman@sequentenergy.com>
To: Joseph Pradas <jpradas@keyspanenergy.com>
CC: Peter Tumminello <ptummine@sequentenergy.com>

Joe,

Please see the attached for our questions on the RFP and let me know if you have any comments/questions.

Cheers,

Sevil Yaman

Manager, Structuring

<http://www.sequentenergy.com/>

<http://www.sequentenergy.com/>

1200 Smith Street, Suite 900

Houston, TX 77002

office - 832-397-8647

cell - 713-304-5037

fax - 832-397-1709

mail to: syaman@sequentenergy.com <mailto:syaman@sequentenergy.com>

Questions for Keyspan Energy Delivery New England:

1. Unbundling Program:
    a. How large and how dynamic is this? Does it change the MDQ AMA has each month? Is their different volumes released each month.
    b. Any history of the market share?
    c. Are assets released to marketers across the board pro rata or is there a subset of assets that get assigned?
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-------- Original Message --------
Subject: [Fwd: Questions RE: KeySpan RFP for Portfolio Mgmt Srvcs]
Date: Tue, 05 Jul 2005 18:41:02 -0400
From: Joseph Pradas <jpradas@keyspanenergy.com>
Organization: KeySpan
To: Dino C Papetti <dpapetti@keyspanenergy.com>

Dino,

Round #2 Qts.

joe

-------- Original Message --------
Subject: Questions RE: KeySpan RFP for Portfolio Mgmt Srvcs
Date: Thu, 30 Jun 2005 13:23:29 -0500
From: Sandra Dudley <sdudley@tmvgas.com>
To: jpradas@keyspanenergy.com

Joseph,

Please find attached Tenaska's questions regarding the Request for Proposals for Portfolio Management Services on Behalf of Boston Gas Company, Colonial Gas Company, and Essex Gas Company, All d/b/a KeySpan Energy Delivery New England.

As a favor, could you please reply to this e-mail to confirm its receipt. Thank you.

Sandra Dudley
Tenaska Marketing Ventures
402-758-6213

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-------- Original Message --------
Subject: [Fwd: Questions relating to RFP dated June 17, 2005]
Date: Tue, 05 Jul 2005 18:41:28 -0400
From: Joseph Pradas <jpradas@keyspanenergy.com>
Organization: KeySpan
To: Dino C Papetti <dpapetti@keyspanenergy.com>

Dino,

Round #2 Qts.

joe

-------- Original Message --------
Subject: Questions relating to RFP dated June 17, 2005
Date: Thu, 30 Jun 2005 20:40:03 +0100
From: "Mugridge, Paul T" <paul.mugridge@bp.com>
To: Joseph Pradas <jpradas@keyspanenergy.com>

Joe, here are a series of questions that BP would like to have answered. Hopefully, they are clear and concise, however, feel free to give me a call should you not understand or need further clarification of these questions.

Thanks

Paul Mugridge
Manager Market Development
Office: 281-366-2567
Cell: 713-857-2428
Fax: 281-366-4929
Email: paul.mugridge@bp.com

June 30, 2005

Questions for KeySpan NE in regards to RFP for Portfolio Management

Submitted by: Paul Mugridge
BP Energy Company
O – 281-366-2567
C – 713-857-2428
paul.mugridge@bp.com

Pricing:

Under the Price Section, the Demand Charges "Reasonably Incurred" by the Portfolio Manager will be reimbursed. Under what cases would the Buyer refuse to reimburse the Portfolio Manager for Demand Charges incurred on the Buyer's assets released to Portfolio Manager?

Is there any difference between the Winter and Summer Price Tiers?

Capacity Release:

Capacity Release – is Bidder responsible for releasing capacity to marketers under KeySpan's Unbundling Program?

Will KEDNE release capacity to Bidder each month for all pipeline storage and transportation contracts or only those contracts included in KEDNE Unbundling Program?

Does the list of contracts included with this RFP include or exclude capacity released under KEDNE's Unbundling Program? If included please provide the currently released volumes for each contract and potential range of releases for each contract.

Transport Contracts:

Please identify all transportation contracts with discounted rates and provide the appropriate demand, commodity and fuel charges for these contracts.

Many transportation contracts have expiration dates that occur during the proposed term of the RFP. For these contracts please identify if they will be renewed, at what quantity level they will be renewed & if not renewed how will supply be sourced or what asset will be used to replace the expired contract.

Company Managed Supplies:

Many of the company managed supplies expire during the proposed term of the RFP. Will the successful Bidder be required to replace these supplies as they expire? If so, on what terms?

Baseload Volumes:

Can KEDNE provide a reasonable estimate of Baseload volumes, by month, for the proposed term of the transaction?

Proposed "Contract" between the Parties:

Sec. 5.1 (c) please further define … "Seller expressly acknowledges that any recall of underground storage contracts shall result in the conveyance of title to the Paper Storage Balance to Buyer."

Sec. 5.2.2 what are the limits of the OBAs on TGP and AGT

Reports:

Would KEDNE provide samples of the monthly and daily reports desired, particularly the "Daily Allocation" report.

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-------- Original Message --------
Subject: [Fwd: Parental Guarantee]
Date: Tue, 05 Jul 2005 18:43:02 -0400
From: Joseph Pradas <jpradas@keyspanenergy.com>
Organization: KeySpan
To: Dino C Papetti <dpapetti@keyspanenergy.com>

Dino,

Round #2 Qts.

Joe

-------- Original Message --------
Subject: Parental Guarantee
Date: Thu, 30 Jun 2005 23:54:11 +0100
From: "Mugridge, Paul T" <paul.mugridge@bp.com>
To: Joseph Pradas <jpradas@keyspanenergy.com>

I noticed there is a Parental Guarantee attached to the back of the contract. Is KEDNE expecting the successful bidder to sign the guarantee? Or is that a negotiated item depending on the company?

Paul Mugridge
Manager Market Development
Office: 281-366-2567
Cell: 713-857-2428
Fax: 281-366-4929
Email: paul.mugridge@bp.com

-------- Original Message --------
Subject: Re: Mass. RFP - Questions & Responses - July 1, 2005
Date: Tue, 05 Jul 2005 18:54:27 -0400
From: Joseph Pradas <jpradas@keyspanenergy.com>
Organization: KeySpan
To: Sevil Yaman <syaman@sequentenergy.com>
CC: Cynthia R Clark <cclark@keyspanenergy.com>, Richard A Visconti <rvisconti@keyspanenergy.com>, "Nancy G. Culliford" <nculliford@keyspanenergy.com>
References: <BC50FC127CD1704597E340BDF4CE00380742AE@txhoup03w.corp.aglrsc.com>

Sevil,

Written responses to the balance of the questions submitted by the stated deadline of June 30, 2005, as indicated in the RFP, will be distributed by July 8, 2005. Once again, all of the questions and the responses will be distributed to all of the potential bidders.

Per the RFP, the window for submitting any additional questions has closed.

Regards,
Joe

Sevil Yaman wrote:

>Joe,
>
>I assume this is the first set of answers and they'll be followed with
>more. Also, as we keep working on the portfolio we come up with more
>questions. What is the procedure for submitting more questions? Can we
>call you or anyone else from your organization and ask more technical and
>operational questions?
>
>Thanks,
>
>Sevil Yaman
>Manager, Structuring
>
>
>

>1200 Smith Street, Suite 900
>Houston, TX 77002
>
>office - 832-397-8647
>cell - 713-304-5037
>fax - 832-397-1709
>mail to: syaman@sequentenergy.com
>
>
>-----Original Message-----
>From: Joseph Pradas [mailto:jpradas@keyspanenergy.com]
>Sent: Friday, July 01, 2005 3:31 PM
>Subject: Mass. RFP - Questions & Responses - July 1, 2005
>
>The RFP for Management Services for KeySpan's Massachusetts Gas
>Portfolio, dated June 17, 2005, provides for all questions submitted by
>potential bidders as well as KeySpan's responses, to be shared with all
>potential bidders who have returned a Notice of Intent to Respond Form
>and a Confidentiality Agreement.
>
>Attached is the first set of questions and responses, dated July 1,
>2005.
>
>Regards,
>Joe
>
>
>

-------- Original Message --------
Subject: [Fwd: Re: RFP Questions]
Date: Tue, 05 Jul 2005 19:04:49 -0400
From: Joseph Pradas <jpradas@keyspanenergy.com>
Organization: KeySpan
To: Dino C Papetti <dpapetti@keyspanenergy.com>

Dino,

Round #2 Qts.

joe

-------- Original Message --------
Subject: Re: RFP Questions
Date: Thu, 30 Jun 2005 10:33:03 -0400
From: Sharon T Crow <crows@dteenergy.com>
To: Joseph Pradas <jpradas@keyspanenergy.com>
CC: Anthony Targan <targana@dteenergy.com>, Kevin Watler <watlerk@dteenergy.com>, Steven C Mabry <mabrys@dteenergy.com>

Joseph,

Attached please find some questions prepared by DTE/CTC regarding the Asset Management RFP. I may also be sending some additional questions regarding the transportation portfolio later this afternoon. Should you have any comments regarding the attached material, please do not hesitate to contact me.

Have a safe Holiday weekend!

Cordially,

Sharon Crow
East Origination
DTE Energy Trading
734-887-2135
734-777-2178 (cell)
AOL IM: hockeymumsrule

(See attached file: keyspanrfpquestions.doc)

Questions pertaining to Request for Proposal dated June 17, 2005

Administrative (Legal, Credit, Corporate)

1. **Does an Asset Management Draft/Sample Agreement exist that KeySpan could provide for legal review?**

2. **Will a Precedent Agreement be signed between the KeySpan and the winning bidder while the final Asset Management Agreement is negotiated?**

3. **Upon assignment or release of transport/storage assets to winning bidder, shall all agreements be subject to bulletin board bidding?**

4. **Will KeySpan be providing "back up" credit assurances to the pipeline entities or will winning bidder be required to provide all additional credit assurances if deemed necessary by those said entities?**

5. **Are all upstream supply agreements assignable based on creditworthiness, and good industry standing? In the event, an entity objects to assigning their agreement to winning bidder, what will be the recourse?**

6. **If a bidder requires Board and Senior Management approvals for entering into such a term agreement, are there allowances for a firm bid to be subject to overall Management review? Would that disallow the bid from consideration?**

7. **With regard to contract extensions, what will be the notification period provided by KeySpan to winning bidder? Will the extensions include pricing tier revisions? Shall the extensions require additional contract language or will that be part of the initial agreement?**

Regulatory

1. **Is the Asset Management Agreement subject to what regulatory reviews?**

    a. **State**
    b. **Federal**
    c. **Others**

2. **Is the Asset Management transaction subject to annual review by these same governmental bodies?**

3. **What is the process in "unwinding" the transaction should one of the regulatory reviews deem the transaction between KeySpan and bidder non-prudent to rate payers?**

Pricing/Transaction Structure

1. Should a management fee payable to KeySpan be proposed, does KeySpan require that payment to be upfront, or can the payments be on a monthly basis e.g. deductible from the demand charges/transport fees/storage fees due bidder from Keyspan?

2. Pertaining to a "sharing" mechanism, those monies owed to KeySpan from bidder be deducted from those fees owed to bidder, or shall separate invoicing occur and the funds be netted out?

3. Can Keyspan provide examples and/or documentation of the following;

    a. Tier Pricing (least cost dispatch)
    b. Paper Storage Accounting
    c. Historical Storage Usage
    d. Historical usage pattern
    e. Nomination forms
    f. Outstanding Pipeline/Storage Imbalances
    g. LNG usage pattern

4. Other than "slice of service" reduction for retail providers, what agreements does KeySpan anticipate not renewing with either transport or storage providers? Dependent upon the forecasted volume of usage and assets available, the value assigned to this transaction may be adversely affected should agreements expire.

5. How will "sharing" mechanism transactions be accounted for? Documented? Agreed upon (e.g. market intelligence/market information sharing)?

6. Will the current asset manager be permitted to assist KeySpan in reviewing the bids associated in this RFP?

Staff

1. How many personnel are expected from each entity to manage this transaction? Front office, mid office, back office?

2. Does KeySpan require bidder's employees to be located in their offices? If so, how many? From what area?

3. Does KeySpan require any of its personnel to reside in bidder's office location?

4. **How will expenses for personnel be handled? Should expected costs for travel, etc. be included in the bid or will there be an exception/process to follow agreed upon between both companies?**

Assets (Transport, Storage, etc.)

1. **All questions pertaining to the assets shall be forthcoming under separate cover.**

-------- Original Message --------
Subject: Additional Questions
Date: Thu, 07 Jul 2005 09:27:08 -0500
From: Garza, Lisset <LGARZA@Coral-Energy.com>
To: Joe Pradas (E-mail) <jpradas@keyspanenergy.com>

Joe,

Recognizing that the question period expired last week, in the sprite of providing KeySpan's requested response, Coral will like to submit the following questions that have arises as the modeling of the portfolio has unfolded:

* DTI storage fuel rate are different for Settle Party and Severed party - which category does KeySpan fall under?
* This question is actually a further clarification to our previous question relating to shipper must hold title as follows:
6) Can the capacity be released to Portfolio Manager? If Supply is managed by
KeySpan - what occurs so that the Portfolio Manager has title of gas to transport to the
citygate? If the answer is no next question is - KeySpan holds both capacity and
Supply, then is the Portfolio Manager not responsible for a portion of the load at the
citygate equaling this total? This second question applies to each situation that
KeySpan maintains the capacity. In modeling, should the Portfolio Manager assume
baseload to citygate for all KeySpan managed capacity.
Response: Yes, capacity can be released to the Asset Manager. In Exhibit D-1 of the
RFP, there are two categories listed under Supply Resources and
Transportation - Company Managed and Released to Asset Manager
("AMA"). It will be the responsibility of KeySpan to schedule and
nominate to the city gate all of the contracts with an "X" in boxes in the
Company Managed column. Likewise, all contracts listed with an "X" in
the boxes in the Released to AMA

column will be performed as a
capacity release by the Portfolio
Manager.

More specifically you have marked the following as company managed yet corresponding capacity is marked with Portfolio Manger:
* Honeoye Storage - yet the associated TGP capacity is marked as AMA - how will you get gas to gate and does AMA have right to the capacity with no obligation of supply * IGT Waddington Supply is marked as Company Managed , the associated Iroquois capacity of 35,000 is AMA managed but the TGP capacity to Mendon and gate is Company Managed - how will this work * From your Spreadsheet on Forecast Sendout - can you confirm which citygate pertains to which company from following citygates list and what capacity is associated with the particular gate (i.e. Algonquin or Tenn): * Boston
* Lowell * Essex * Cape * Can the AMA view the three company portfolios as
one and mange the citygate needs by utilizing all available or will it have to utilize specific assets for a specific citygates. * In modeling what excess capacity exists in KeySpan's portfolio is it correct to supply system load by using the methodology provided by Exhibit E
* Clarification - KeySpan can enforce the rule curve on the AMA manger in the course of the winter (example expecting the AMA to purchase additional supply at peak times) * In verification of pipeline rates listed on the provided spreadsheet to pipeline rates posted on EBB, discovered some discrepancies - should AMA use pipeline established rates

Appreciate your help.

Lisset Garza

Shell Trading Gas & Power
909 Fannin St., Houston, TX 77010, USA

Tel: +713-767 5470 Fax: +713 265 5470
Email: lgarza@coral-energy.com
Internet: http://www.shell.com

-------- Original Message --------
Subject: Claridication re: Lisset(Coral)
Date: Thu, 07 Jul 2005 10:43:06 -0400
From: Joseph Pradas <jpradas@keyspanenergy.com>
Organization: KeySpan
To: Nancy G. Culliford <nculliford@keyspanenergy.com>, Theodore E Poe Jr. <tpoe@keyspanenergy.com>

I just received this from Lisset, along with a phone call. I mentioned to her that the window for questions has closed and she understands this.

Having said this, is there any merit to the following specific points which she makes below?

"More specifically you have marked the following as company managed yet corresponding capacity is marked with Portfolio Manger:
* Honeoye Storage - yet the associated TGP capacity is marked as AMA - how will you get gas to gate and does AMA have right to the capacity with no obligation of supply * IGT Waddington Supply is marked as Company Managed , the associated Iroquois capacity of 35,000 is AMA managed but the TGP capacity to Mendon and gate is Company Managed - how will this work"

Thanks.

Joe

-------- Original Message --------
Subject: Additional Questions
Date: Thu, 07 Jul 2005 09:27:08 -0500
From: "Garza, Lisset" <LGARZA@Coral-Energy.com>
To: "Joe Pradas (E-mail)" <jpradas@keyspanenergy.com>

Joe,

Recognizing that the question period expired last week, in the sprite of providing KeySpan's requested response, Coral will like to submit the following questions that have arises as the modeling of the portfolio has unfolded:

* DTI storage fuel rate are different for Settle Party and Severed

party - which category does KeySpan fall under?
* This question is actually a further clarification to our previous question relating to shipper must hold title as follows:
6) Can the capacity be released to Portfolio Manager? If Supply is managed by
KeySpan - what occurs so that the Portfolio Manager has title of gas to transport to the
citygate? If the answer is no next question is - KeySpan holds both capacity and
Supply, then is the Portfolio Manager not responsible for a portion of the load at the
citygate equaling this total? This second question applies to each situation that
KeySpan maintains the capacity. In modeling, should the Portfolio Manager assume
baseload to citygate for all KeySpan managed capacity.
Response: Yes, capacity can be released to the Asset Manager. In Exhibit D-1 of the
RFP, there are two categories listed under Supply Resources and
Transportation - Company Managed and Released to Asset Manager
("AMA"). It will be the responsibility of KeySpan to schedule and
nominate to the city gate all of the contracts with an "X" in boxes in the
Company Managed column. Likewise, all contracts listed with an "X" in
the boxes in the Released to AMA column will be performed as a
capacity release by the Portfolio Manager.

More specifically you have marked the following as company managed yet corresponding capacity is marked with Portfolio Manger:
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* Lowell * Essex * Cape * Can the AMA view the three company portfolios as
one and mange the citygate needs by utilizing all available or will it have to utilize specific assets for a specific citygates. * In modeling what excess capacity exists in KeySpan's portfolio is it correct to supply system load by using the methodology provided by Exhibit E
* Clarification - KeySpan can enforce the rule curve on the AMA manger in

the course of the winter (example expecting the AMA to purchase additional supply at peak times) * In verification of pipeline rates listed on the provided spreadsheet to pipeline rates posted on EBB, discovered some discrepancies - should AMA use pipeline established rates

Appreciate your help.

Lisset Garza

Shell Trading Gas & Power
909 Fannin St., Houston, TX 77010, USA

Tel: +713-767 5470 Fax: +713 265 5470
Email: lgarza@coral-energy.com
Internet: http://www.shell.com

Cheryl M. Kimball

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-------- Original Message --------
Subject: Re: Claridication re: Lisset(Coral)
Date: Thu, 07 Jul 2005 12:43:22 -0400
From: Nancy Culliford <nculliford@keyspanenergy.com>
To: Joseph Pradas <jpradas@keyspanenergy.com>
CC: Theodore E Poe Jr. <tpoe@keyspanenergy.com>
References: <42CD3F7A.5060106@keyspanenergy.com>

Joe,

Unfortunately these questions arrived after the window closed and we can not answer them.

Nancy/Ted

Joseph Pradas wrote:

> I just received this from Lisset, along with a phone call. I
> mentioned to her that the window for questions has closed and she
> understands this.
>
> Having said this, is there any merit to the following specific points
> which she makes below?
>
> "More specifically you have marked the following as company
> managed yet corresponding capacity is marked with Portfolio Manger: *
> Honeoye Storage - yet the associated TGP capacity is marked as AMA - how
> will you get gas to gate and does AMA have right to the capacity with no
> obligation of supply * IGT Waddington Supply is marked as Company
> Managed , the associated Iroquois capacity of 35,000 is AMA managed but
> the TGP capacity to Mendon and gate is Company Managed - how will this
> work"
>
> Thanks.
>
> Joe
>
>
> -------- Original Message --------
> Subject: Additional Questions
> Date: Thu, 07 Jul 2005 09:27:08 -0500
> From: "Garza, Lisset" <LGARZA@Coral-Energy.com>
> To: "Joe Pradas (E-mail)" <jpradas@keyspanenergy.com>

>
>
>
> Joe,
>
> Recognizing that the question period expired last week, in the sprite of
> providing KeySpan's requested response, Coral will like to submit the
> following questions that have arises as the modeling of the portfolio
> has unfolded:
>
> * DTI storage fuel rate are different for Settle Party and Severed
> party - which category does KeySpan fall under? * This question is
> actually a further clarification to our previous question relating to
> shipper must hold title as follows:
> 6) Can the capacity be released to Portfolio Manager? If Supply is
> managed by KeySpan - what occurs so that the Portfolio Manager
> has title of gas to transport to the citygate? If the answer is
> no next question is - KeySpan holds both capacity and Supply,
> then is the Portfolio Manager not responsible for a portion of the load
> at the citygate equaling this total? This second question
> applies to each situation that KeySpan maintains the capacity.
> In modeling, should the Portfolio Manager assume
> baseload to citygate for all KeySpan managed capacity.
> Response: Yes, capacity can be released to the Asset
> Manager. In Exhibit D-1 of the RFP,
> there are two categories listed under Supply Resources and
> Transportation - Company Managed and Released to Asset
> Manager
> ("AMA"). It will be the
> responsibility of KeySpan to schedule and
> nominate to the city gate all of the
> contracts with an "X" in boxes in the
> Company Managed column. Likewise, all contracts listed with an "X" in
> the boxes in the Released to AMA column will
> be performed as a capacity release by the
> Portfolio Manager.
> More specifically you have marked the following as company
> managed yet corresponding capacity is marked with Portfolio Manger: *
> Honeoye Storage - yet the associated TGP capacity is marked as AMA - how
> will you get gas to gate and does AMA have right to the capacity with no
> obligation of supply * IGT Waddington Supply is marked as Company
> Managed , the associated Iroquois capacity of 35,000 is AMA managed but
> the TGP capacity to Mendon and gate is Company Managed - how will this
> work * From your Spreadsheet on Forecast Sendout - can you confirm
> which citygate pertains to which company from following citygates list
> and what capacity is associated with the particular gate (i.e. Algonquin
> or Tenn): * Boston * Lowell * Essex * Cape * Can the AMA
> view the three company portfolios as one and mange the citygate needs by
> utilizing all available or will it have to utilize specific assets for a
> specific citygates. * In modeling what excess capacity exists in

> KeySpan's portfolio is it correct to supply system load by using the
> methodology provided by Exhibit E * Clarification - KeySpan can
> enforce the rule curve on the AMA manger in the course of the winter
> (example expecting the AMA to purchase additional supply at peak times)
> * In verification of pipeline rates listed on the provided
> spreadsheet to pipeline rates posted on EBB, discovered some
> discrepancies - should AMA use pipeline established rates
>
> Appreciate your help.
> Lisset Garza
>
> Shell Trading Gas & Power
> 909 Fannin St., Houston, TX 77010, USA
>
> Tel: +713-767 5470 Fax: +713 265 5470
> Email: lgarza@coral-energy.com
> Internet: http://www.shell.com
>
>
>

Cheryl M. Kimball

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-------- Original Message --------
Subject: Mass. RFP - Status
Date: Fri, 01 Jul 2005 18:20:40 -0400
From: Joseph Pradas <jpradas@keyspanenergy.com>
Organization: KeySpan
To: jfeinstein@keyspanenergy.com, smccauley@keyspanenergy.com, jallocca@keyspanenergy.com, earangio@keyspanenergy.com, ncianflone@keyspanenergy.com, mleippert@keyspanenergy.com, jvaughn@keyspanenergy.com, tkain@keyspanenergy.com, mreges@keyspanenergy.com, lmarilla@keyspanenergy.com, cclark@keyspanenergy.com, rvisconti@keyspanenergy.com, nculliford@keyspanenergy.com, toneill@keyspanenergy.com, tpoe@keyspanenergy.com, dpapetti@keyspanenergy.com
CC: Joseph F Bodanza Jr <jbodanza@keyspanenergy.com>, Richard A Rapp Jr <rrapp@keyspanenergy.com>, RONALD LUKAS <rlukas@keyspanenergy.com>, Michael A Walker <mwalker@keyspanenergy.com>

Following is a brief update on the Mass RFP process:

1. 23 potential bidders were contacted;
2. 14 potential bidders have executed a CA and completed an Intent to Respond form (see attachment); 3. No potential bidder has submitted a decline to bid notice; 4. The first batch or round of questions and responses, dated 7/1/05, has been completed (Please note that due to the mostly "procedural" nature of the first set of questions, said questions were circulated to just a few RFP team members for their review and comment); 5. A significant number of additional questions were received late yesterday, and they will be circulated to the larger RFP team for review and comment on Tuesday, July 5th.

I'll keep you posted as things develop.

Joe

Massachusetts RFP for Portfolio Management Services
List of Potential Bidders

7/1/2005

	Company	Contact	Office	Fax	Email
	Anadarko	Wanda Marcell 1200 Timberloch Place The Woodlands, Texas 77380	(832) 636-7155	(832) 636-7181	wanda_marcell@anadarko.com
1	BP Energy	Paul Mugridge Manager Market Development BP Energy 501 Westlake Park Blvd. Houston, TX 77079	(281) 366-2567	(281) 366-4969	paul.mugridge@BP.com
	Burlington Resources	Dan McAstocker Burlington Resources Canada Ltd. 2100 - 250 6th S.W. Calgary, Alberta T2P-3H7	(403) 260-8057	(403) 269-8236	DMcAstocker@br-inc.com
2	Cargill	Craig Adams Director, Marketing & Business Development Cargill Power & Gas Markets 12700 Whitewater Dr. Minnetonka, MN 55343-9439	(952) 984-3301	(952) 984-3607	craig_adams@cargill.com
	Chevron Texaco	Don Cullum Regional Director - Gulf Coast Natural Gas Marketing - U.S. Chevron Natural Gas 1500 Louisiana Street, Third Floor Houston, TX 77002	(832) 854-5032	(832) 854-3293	doncullum@chevrontexaco.com
3	Cinergy	Chris Fischer - Director, Origination Cinergy Marketing & Trading, LP 1100 Louisiana St, Suite 4900 Houston, TX 77002	(713) 393-6846	(713) 890-3134	chris.fischer@cinergy.com
4	ConocoPhillips	Jeff Brant Director, NE Origination ConocoPhillips Gas & Power 5795 Widewaters Parkway #201 DeWitt, NY 13214	(315) 453-7353	(315) 453-7355	jeff.brant@conocophillips.com
	Constellation	David Dahlem 23 Franklin Woods Road Somers, Ct 06071	(860) 763-5015	(860) 763-5016	david.dahlem@constellation.com
5	Coral (Shell)	Lisset Garza Shell Trading Gas & Power 909 Fannin St. Houston, TX 77010	(713) 767-5470	(713) 265-5470	lgarza@coral-energy.com
	DeutscheBank	Allan Kessler Deutsche Bank AG New York 60 Wall Street 5th Floor New York, NY 10005	(212) 250-8693		allan.kessler@db.com
	Devon	Ken Ballard 20 North Broadway, BOC 7.16 Oklahoma City, OK 73102-8260	(405) 228-8285	(405) 228-8372	ken.ballard@dvn.com
6	DTE Energy	Sharon Crow East Origination DTE Energy Trading 414 S. Main Street Suite 200 Ann Arbor, MI 48104	(734) 887-2135	(734) 887-2104	crows@dteenergy.com

	Company	Contact	Office	Fax	Email
	EnCana	Haig Vejprava Director of Marketing 1800, 855 2nd Street S.W. P.O. Box 2850 Calgary, Alberta T2P 2S5	(403) 645-4316		haig.vejprava@encana.com
	ExxonMobil	Guangtao Zhu ExxonMobil Gas & Power Marketing 800 Bell Street, Room 3562R Houston, TX 77002	(713) 656-6297	(713) 656-2727	guangtao.zhu@exxonmobil.com
7	Marathon Oil	Jim Bowden Marathon Oil P.O. Box 3128 Houston, TX 77253-3128	(713) 296-3700	(713) 296-4481	jrbowden@marathonoil.com
8	Merrill Lynch	David Stratton Lon Tiemann Chris Beggins 20 East Greenway Plaza Suite 700 Houston, TX 77046	(713) 544-4400 (713) 544-7758 (713) 544-7761		david_stratton@ml.com lon_tiemann@ml.com chris_beggins@ml.com
	Morgan Stanley	Robert Faitell Morgan Stanley Trading Floor 2000 Westchester Ave. Purchase, NY 10577	(914) 225-1460		robert.faitell@morganstanley.com
9	ONEOK	Phill May Director of Origination - Northeast Region ONEOK Energy Services 100 W. Fifth Street Suite 1600 Tulsa, OK 74103-4298	(918) 591-5169	(918) 591-5130	Phill.May@oneok.com
10	Sempra	Scott La Shelle Director Sempra Energy Trading Corp. 58 Commerce Rd. Stamford, CT 06902	(203) 355-5087		slashelle@sempratrading.com
11	Sequent	Pete Tumminello Sequent Energy Management 1200 Smith Street Suite 900 Houston, TX 77002	(832) 397-3742	(832) 397-1709	ptummine@sequentenergy.com
12	Sprague	Claude Peyrot 2 International Drive Suite 200 Portsmouth, NH 03801-6809	(603) 430-7254		cpeyrot@spragueenergy.com
13	Tenaska	Kristen Gould Manager, Marketing 3050, 300 - 5th Avenue S.W. Stock Exchange Tower Calgary, AB T2P 3C4	(403) 716-1382	(403) 716-1375	kgould@tmvgas.com
14	UBS Warburg	Patrice Thurston UBS Energy Desk 677 Washington Boulevard Stamford, CT 06901	(203) 719-8503	(203) 719-1056	patrice.thurston@ubs.com

Note: A. 23 potential bidders were contacted.
14 potential bidders have executed a Confidentiality Agreement and Intent to Respond form (highlighted companies).
B. No potential bidder has submitted a decline to bid notice.

Massachusetts RFP for Portfolio Management Services
Bidders Questions & Responses

Response to Proposal Clarification Questions (7/01/05)

1. Is Merrill Lynch going to have a last look or right of first refusal on this RFP?

   Response: No, in both instances.

2. Is Merrill Lynch going to be involved in any way with the review and analysis of the responses?

   Response: No, in both instances.

3. Is an extension going to be given to the July 15, 2005 bid due date?

   Response: No extension is being contemplated at the present time.

4. Is an extension going to be given to the June 30, 2005 deadline for submitting questions?

   Response: No extension is being contemplated at the present time.

5. The RFP stipulates that responses be firm in nature and binding upon the respondent, until November 1, 2005. Will KeySpan accept non-firm bids relative to price and/or the November 1, 2005 date?

   Response: Section II.B.3 of the RFP states that the bids must be firm, with the price quote and other terms firm until November 1, 2005. It is up to the bidder to assess the risk of having their bid disqualified as a result of submitting a non-conforming bid.

6. Can the capacity be released to Portfolio Manager? If Supply is managed by KeySpan - what occurs so that the Portfolio Manager has title of gas to transport to the citygate? If the answer is no next question is - KeySpan holds both capacity and Supply, then is the Portfolio Manager not responsible for a portion of the load at the citygate equaling this total? This second question applies to each situation that KeySpan maintains the capacity. In modeling, should the Portfolio Manager assume baseload to citygate for all KeySpan managed capacity.

Response: Yes, capacity can be released to the Asset Manager. In Exhibit D-1 of the RFP, there are two categories listed under Supply Resources and Transportation - Company Managed and Released to Asset Manager ("AMA"). It will be the responsibility of KeySpan to schedule and nominate to the city gate all of the contracts with an "X" in boxes in the Company Managed column. Likewise, all contracts listed with an "X" in the boxes in the Released to AMA column will be performed as a capacity release by the Portfolio Manager.

7. Is it KeySpan's expectations to receive a redline from the bidding party or will this be handled at a future point (after deal is awarded)?

Response: Section II.B.1 of the RFP states that the bidders should "identify any exceptions to the Agreement attached as Exhibit C and indicate suggested alternate language for the exceptions". This is to be submitted with the initial bid.

8. Is KeySpan open to an agency arrangement of the assets or a only a capacity release of all assets?

Response: KeySpan is currently not considering an agency arrangement. KeySpan will release capacity to the successful bidder all of the non Company Managed Assets as defined/identified in the RFP.

9. With regard to the management fee to be paid to KeySpan for the optimization of the assets, does that need to be a stand alone item or can it be imbedded into the supply price?

Response: Section III of the RFP states that the "bidders may propose a guaranteed payment to KeySpan, a sharing of net profits, a combination of the two, or any other similar arrangements in which value can be easily quantified". It is left to the discretion of the bidders to determine which structure to propose.

10. With regard to the supply price, is KeySpan looking for least cost, weighted average or other pricing mechanism?

Response: KeySpan is looking for the least overall cost.

11. Is the listing of supply source in particular order i.e., Tennessee Domestic Baseload/Swing Tiers:

Zn 1, 100 leg
Zn 0, 100 leg
Zn 1, 800 leg
Zn 1, 500 leg

Are you required to fill load in that exact order or can you do Zn 1 500 leg before Zn 0 100 leg?

Response: Section 4.1.1 of the Agreement states that "supply will be priced as if sourced from each tier sequentially until each tier is exhausted, up to the Buyer's MDQ". There is no layering within the respective tiers. Each individual zone within the respective tiers contributes a pro-rata share of the overall tier volume. It is left to the discretion of the bidders to present a different (albeit non-conforming) pricing or tier structure.

12. Is LNG part of RFP or not an option?

Response: LNG is a Company Managed Asset set forth on Exhibit D-6 to the RFP. See Response # 6. It is left to the discretion of bidders to present options for LNG utilization.

13. With regard to Demand Charges, will Buyer reimburse Portfolio Manager for all demand charges associated with all the assets released?

Response: Yes, subject to the terms and conditions as described in the Agreement.

14. Will KeySpan accept bids that are non-binding or firm but require Board Approval?

Response: See Response #5.

-------- Original Message --------
Subject: Mass. RFP - Bid Process - Extenison of Deadlines
Date: Fri, 08 Jul 2005 15:03:02 -0400
From: Joseph Pradas <jpradas@keyspanenergy.com>
Organization: KeySpan

The purpose of this e-mail is to inform you that KeySpan has decided to extend the deadlines relative to the RFP for Management Services for KeySpan's Massachusetts Gas Portfolio, dated June 17, 2005 as folloows:

1. All questions regarding this RFP must be submitted in writing through e-mail to jpradas@keyspanenergy.com on or before July 14, 2005, by 4:00 EST. 2. We will respond to your questions in writing by July 22, 2005. 3. Your bid is due by 5:00 p.m. EST, July 29, 2005.

All other terms and conditions of the aforementioned RFP remain the same.

Regards,
Joe

Cheryl M. Kimball

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-------- Original Message --------
Subject: Mass. RFP - Questions & Responses - July 8, 2005 (Attachement)
Date: Fri, 08 Jul 2005 15:52:43 -0400 From: Joseph Pradas
<jpradas@keyspanenergy.com> Organization: KeySpan

Enclosed please find attachment related to response to Qt. #7 of the Response to Proposal Clarification Questions (7/08/05). It was inadvertently left out from the previous mailing.

Regards,
Joe

KeySpan NE Summary of Routes

TGP Routes

TGP zone 0-6

Company	Pipeline	Boston Contract #	Citygate MDQ
Boston (100	TGP	2062 FTA	28,058
Colonial (10(	TGP	2025 FTA	7,496
Colonial (10(	TGP	435 FTA	8,500
Essex	TGP	32155 FTA	4,418
		Total	**48,472**

TGP zone 1-6

Company	Pipeline	Boston Contract #	Citygate MDQ
Boston (500	TGP	2062 FTA	35,271
Boston (800	TGP	2062 FTA	16,837
Colonial (50(	TGP	2025 FTA	9,423
Colonial (80(	TGP	2025 FTA	4,497
Colonial (50(	TGP	435 FTA	6,205
Essex	TGP	32155 FTA	8,951
		Total	**81,184**

TGP zone 4-6

Company	Pipeline	Boston Contract #	Citygate MDQ
Boston	TGP	2062 FTA	14,147
Boston	TGP	623 FTA	41,687
Boston	TGP	20241 FTA	13,027
Colonial	TGP	2025 FTA	3,780
Colonial	TGP	435 FTA	2,595
Colonial	TGP	2029 FTA	7,504
Colonial	TGP	10778 FTA	16,083
Essex	TGP	577 FTA	5,172
Essex	TGP	10788 FTA	4,069
Essex	TGP	32155 FTA	2,359
		Total	**110,423**

TGP zone 5-6 FTA Contracts

Company	Pipeline	Boston Contract #	Citygate MDQ
Boston	TGP	256 FTA	10,533

Max Commodity Rates (including
FT - Commodity Rates

	0	L
0	0.0458	
L		0.0305
1	0.0688	
2	0.0899	
3	0.0997	
4	0.1148	
5	0.1231	
6	0.1627	

FUEL

	0	L
0	0.89%	
L		1.01%
1	1.74%	
2	4.59%	
3	6.06%	
4	7.43%	
5	7.51%	
6	8.93%	

FUEL

	0	L
0	0.84%	
L		0.95%
1	1.56%	
2	3.95%	
3	5.19%	
4	6.34%	
5	6.41%	
6	7.61%	

TGP zone 5-6 FTA Contracts

Company	Pipeline	Boston Contract #	Citygate MDQ
Essex	TGP	2066 FTA	976
Essex	TGP	45201 FTA	645
		Total	1,621

TGP zone 5-6 NET Contracts

Company	Pipeline	Boston Contract #	Citygate MDQ	
Boston	TGP	) (3148 NE	8,600	Discounted Rates, See Rate Tab
Boston	TGP	IGT to TGF	15,000	
Boston	TGP	ı IGT into A	20,000	

TGP zone 5-6 NET-NE Contracts

Company	Pipeline	Boston Contract #	Citygate MDQ	
Colonial	TGP	I28 NET-NI	2,000	Discounted Rates, See Rate Tab
Colonial	TGP	I290 NET-N	4,000	Discounted Rates, See Rate Tab
		Total	6,000	

TGP zone 5-6 NET-NE Contracts

Company	Pipeline	Boston Contract #	Citygate MDQ	
Essex	TGP	247 (NET-N	2,000	Discounted Rates, See Rate Tab

TGP zone 6-6 FTA Contracts

Company	Pipeline	Boston Contract #	Citygate MDQ	
Boston	TGP	31898 FTA	43,200	Discounted Rates, See Rate Tab
		Total	312,033	

ACA of .0019)

							0.0437
1	2	3	4	5	6		
0.0688	0.0899	0.0997	0.1137	0.125	0.1627		0.0667
							0.0878
0.0591	0.0795	0.0893	0.1033	0.1145	0.1522		0.0976
0.0795	0.0452	0.0549	0.07	0.0802	0.1178		0.1127
0.0893	0.0549	0.0385	0.0682	0.0784	0.1161		0.121
0.1044	0.07	0.0682	0.042	0.0478	0.0853		0.1606
0.1145	0.0802	0.0784	0.0478	0.0446	0.0784		
0.1522	0.1178	0.1161	0.0853	0.0784	0.0661		

NOV-MAR

1	2	3	4	5	6
2.79%	5.16%	5.88%	6.79%	7.88%	8.71%
1.91%	4.28%	4.99%	5.90%	6.99%	7.82%
2.13%	1.43%	2.15%	3.05%	4.15%	4.98%
3.60%	1.23%	0.69%	2.64%	3.69%	4.52%
4.97%	2.68%	3.07%	1.09%	1.33%	2.17%
5.05%	2.76%	3.14%	1.16%	1.28%	2.09%
6.47%	4.18%	4.56%	2.50%	1.40%	0.89%

APR-OCT

1	2	3	4	5	6
2.44%	4.43%	5.04%	5.80%	6.72%	7.42%
1.70%	3.69%	4.29%	5.06%	5.97%	6.67%
1.88%	1.30%	1.90%	2.66%	3.58%	4.28%
3.12%	1.13%	0.67%	2.32%	3.19%	3.90%
4.28%	2.35%	2.67%	1.01%	1.21%	1.92%
4.34%	2.41%	2.74%	1.07%	1.17%	1.86%
5.53%	3.61%	3.93%	2.20%	1.27%	0.85%

0.0667	0.0878	0.0976	0.1116	0.1229	0.1606
0.057	0.0774	0.0872	0.1012	0.1124	0.1501

0.0774	0.0431	0.0528	0.0679	0.0781	0.1157
0.0872	0.0528	0.0364	0.0661	0.0763	0.114
0.1023	0.0679	0.0661	0.0399	0.0457	0.0832
0.1124	0.0781	0.0763	0.0457	0.0425	0.0763
0.1501	0.1157	0.114	0.0832	0.0763	0.064

KeySpan NE Summary of Routes

OTHER PIPELINE TRANSPORTATION RATES AND CHARGES:

Company	Pipeline	# and Rate Schedule	Variable Transport	Variable 'ransp, SL-	Variable Transp, 1-4	Var Fuel SL-4 W	Var Fuel SL-4 S	Var Fuel 1-4 W	Var Fuel 1-4 S	Del'v to M2 Fuel	Del'v to M3 Fuel	Variable Fuel-W	Variable Fuel-S	Var. Fuel
Boston	IROQUOIS	420-01 RTS-1	$ 0.0054											0.50%
Boston	TEXAS GAS	T 4855		$ 0.0536	$ 0.0487	2.90%	2.56%	2.90%	2.56%					
Boston	TRANSCO	6425 X-284	$ 0.0290									0.81%	0.81%	
Boston	DTI	100015 FTNN	$ 0.0063									3.05%	3.05%	
Boston	TGP	29610 NET NE	$ 0.0019									1.31%	1.31%	
Boston	TGP	256 FTA	$ 0.0784									2.09%	2.09%	
Boston	TGP	31898 FTA	$ 0.0500											0.85%
Boston	TETCO	331009 FTS-7	$ 0.0019							2.00%	2.00%			
Boston	Maritimes USA	8005	$0.0000											1.00%
Boston	Maritimes Canadian	0500-FT019	$0.0000											0.08%
Colonial	IROQUOIS	480-01 RTS-1	$ 0.0054											0.50%
Colonial	TRANSCO	6428 FT	$ 0.0290									0.84%	0.84%	
Colonial	DTI	700049 FTGSS	$ 0.0063									3.05%	3.05%	
Colonial	NFG	N01733 FSS-T	$ 0.0082									2.00%	2.00%	
Colonial	TGP	428 NET-NE	$ 0.0019									1.39%	1.39%	
Colonial	TGP	11290 NET-NE	$ 0.0019									1.39%	1.39%	
Colonial	TETCO	331700 FTS-7	$ 0.0019							2.00%	2.00%	2.00%	2.00%	
Colonial	TETCO	331800 FTS-8	$ 0.0019							1.50%	1.50%			
Essex	TGP	2066 FTA	$ 0.0784									2.86%	2.86%	
Essex	TGP	33247 (NET-NE)	$ 0.0019									1.44%	1.44%	
Essex	IROQUOIS	490-01 RTS-1	$ 0.0054											0.50%

00143

-------- Original Message --------
Subject: [Fwd: Asset Management RFP - ExxonMobil's Response]
Date: Mon, 11 Jul 2005 14:57:35 -0400
From: Dino Papetti <dpapetti@keyspanenergy.com>
Organization: KeySpan Energy
To: PRADAS, Joseph G <jpradas@keyspanenergy.com>

Hi Joe. FYI..., althouth I'm sure you know this already.

Dino

-------- Original Message --------
Subject: Asset Management RFP - ExxonMobil's Response
Date: Mon, 11 Jul 2005 13:49:14 -0500
From: guangtao.zhu@exxonmobil.com
To: Dino Papetti <dpapetti@keyspanenergy.com>

Dino,

Thank you for affording ExxonMobil Gas & Power Marketing Company the opportunity to review your request for asset management proposals. At this time, however, we are not in a position to submit a proposal for your request, due to a variety of commercial reasons. We value you as a customer, and would appreciate entertaining future proposals from Keyspan.
Thank you,

Guangtao Zhu
ExxonMobil Gas & Power Marketing
phone (713) 656-6297

Dino
Papetti
<dpapetti@keyspanener To:
guangtao.zhu@exxonmobil.com
gy.com>
cc:
Subject: (no
subject)

06/15/05 12:06

PM

Hi Guangtao.

I would like to call you to see if Exxon would like to receive a bid package for an asset management arrangement with Keyspan New England. What is your phone number?

Dino

Cheryl M. Kimball

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-------- Original Message --------
Subject: KeySpan NE RFP - Questions
Date: Thu, 14 Jul 2005 13:06:49 -0500
From: Garza, Lisset <LGARZA@Coral-Energy.com>
To: Joe Pradas (E-mail) <jpradas@keyspanenergy.com>

Joe,

Here are some more questions:

* Tetco access area total 226,890 dt/d and pull away on CDs 43,347 and FT 97,627 - is the excess access area tied to any other capacity or just flexibility from the access area * In response to Question 27, you mention that the company intends to notify the Seller, prior to March 31st of a contract year, its refill pricing plan. What is meant by "refill pricing plan"? How does this differ from WACOG based on a ratable injection over the April through October period?

Lisset Garza

Shell Trading Gas & Power
909 Fannin St., Houston, TX 77010, USA

Tel: +713-767 5470 Fax: +713 265 5470
Email: lgarza@coral-energy.com
Internet: http://www.shell.com

Cheryl M. Kimball

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-------- Original Message --------
Subject: Questions RE: KeySpan RFP for Portfolio Mgmt 7-14-05
Date: Thu, 14 Jul 2005 14:13:35 -0500
From: Dudley Sandra <SDudley@TMVGAS.COM>
To: jpradas@keyspanenergy.com

Please find attached Tenaska's questions regarding the Request for Proposals for Portfolio Management Services on Behalf of Boston Gas Company, Colonial Gas Company, and Essex Gas Company, All d/b/a KeySpan Energy Delivery New England.

Sandra Dudley
11718 Nicholas
Omaha, NE 68154
(402) 758-6213

Tenaska Marketing Ventures/
Tenaska Marketing Canada

Round 2 Questions Regarding RFP for Portfolio Management Services On Behalf Of Boston Gas Company, Colonial Gas Company, And Essex Gas Company, All D/B/A KeySpan Energy Delivery New England

July 14, 2005

1) Section 6.1 of the Gas Resource Portfolio Management and Gas Sales Agreement reads, "The Parties acknowledge that Buyer may extend the Initial Term by up to two additional one-year periods, i.e., up to and including March 31, 2010." Does this mean that Buyer may extend the agreement for a period of time less than one year (i.e. from April 2009 through September 2009) or can Buyer only extend the term in one-year increments?
2) Will Buyer request RFP's before exercising its option to extend the term of the deal on 1/1/08 and/or 1/1/09?
3) Does Keyspan have an extension right in its current Portfolio Management agreement that is still exercisable by Keyspan?
4) Both the Gas Resource Portfolio Management and Gas Sales Agreement and Buyer's response to Question 28 in the prior set of questions indicate that storage carrying costs will be equal to LIBOR plus 5 basis points. Does buyer intend for this to be 0.05% or 5%? What LIBOR rate is buyer referring to (i.e. 1-month, 1-year)?
5) In taking into consideration Buyer's Unbundling Program, should volumes associated with this program be netted off of the system load as well as the overall capacity of the assets? Is the Canadian baseload supply and associated transport capacity included in the Unbundling Program? Could you please provide an example of how a volume of 10,000 dth/d under the Unbundling Program would be allocated its "slice of system" capacity if such load were delivered off of Tennessee, and a separate example if such load were delivered off of Algonquin?
6) The forecasted system load information is very helpful. Would it also be possible to get a forecast of the quantity expected for the Unbundling Program? Are there any material changes to the Unbundling Program that would cause these quantities to grow or shrink over the next 2-4 years?
7) For any guaranteed revenue or sharing revenue payable to Keyspan under this Portfolio Management arrangement, how is such revenue allocated between the utilities' ratepayers and shareholders? Please describe any incentive rate or performance based rate mechanisms that would impact Keyspan's actions under the Portfolio Management arrangement.
8) When and how might Buyer recall storage capacity (follow up to Q&A #11 from 7/8/05 Keyspan responses)?
9) If LNG import capacity dramatically increased in the Keyspan NE service area, what impact would that have on the Portfolio Management arrangement?
10) Under the Gas Resource Portfolio Management and Gas Sales Agreement, it is clear that Seller has a firm obligation to sell and deliver gas up to the MDQ based on Buyer's nominations to Seller. Under such agreement, however, it appears that Buyer would have the ability to purchase gas from third parties in lieu of purchasing gas from Seller. Please clarify Keyspan's intention with respect to its obligations to purchase gas from Seller.
11) In Section 5.1 of the Gas Resource Portfolio Management and Gas Sales Agreement, "agency rights" are referenced. What type of agency rights does Buyer envision, and to which contracts might such an agency arrangement apply?
12) Follow up to Q&A #27 from 7/8/05 Keyspan responses – In the response to this question, it states: "The Company intends to notify the Seller, prior to March 31st of a contract year, its refill pricing plan." Please clarify if this is intended to imply that Buyer has the right to designate different volumes by month for storage refill (e.g. in one year Buyer might designate more volumes for refill early in the summer injection period, and in another year Buyer might designate more volumes for refill late in the summer injection period)? If that is the case, please confirm if the calculation of

Summer Index for any given year would then use a volume weighting each month based on Buyer's monthly volume designations for such year.

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-------- Original Message --------
Subject: Re: Mass. RFP - Draft Agreement Gas Supply Contract
Date: Fri, 15 Jul 2005 16:22:05 -0400
From: Charles Klein <cklein@keyspanenergy.com>
Organization: KeySpan
To: Joseph Pradas <jpradas@keyspanenergy.com>
CC: Richard A Visconti <rvisconti@keyspanenergy.com>, Jennifer B Feinstein <jfeinstein@keyspanenergy.com>, Susan DeSilva <sdesilva@keyspanenergy.com>
References: <42CE9168.1070801@keyspanenergy.com>

Joe.....I lifted and modified the following language from a gas purchase contract with Duke Energy. This clause treats the delivery point as the trigger for tax liability. I think that it is a better tax clause.

Seller shall pay or cause to be paid all taxes, fees, levies, penalties, licenses or charges imposed by any government authority ("Taxes") on or with respect to the Gas prior to the Delivery Points. Buyer shall pay or cause to be paid all Taxes, other than income tax, on or with respect to the Gas at the Delivery Point and all Taxes after the Delivery Point including, but not limited to all sales or use, gross receipts and consumption taxes. If a party is required to remit or pay Taxes that are the other party's responsibility hereunder, the party responsible for such Taxes shall promptly reimburse the other party for such Taxes.

Any questions, please call or email me.
Charles

Joseph Pradas wrote:

> Charles,
>
> As I mentioned over the phone, attached is the Draft Agreement for the
> Massachusetts Request for Proposal (RFP) for Management Services for
> KeySpan's Massachusetts Gas Portfolio. This work is currently being
> performed by Merrill Lynch, with the existing contract due to expire
> March 31, 2006.
>
> The following question has been posed by one of the prospective
> bidder: "Please outline any tax obligations."

> Our response is as follows: "As per Sect. 7.3 of the Agreement, Buyer
> shall reimburse seller for any taxes, including ad valorem taxes, fees
> or charges, other than income tax, which are levied by a governmental or
> regulatory body on the Gas sold under this Agreement.
>
> Please review and advise.
>
> Thanks.
> Joe

Cheryl M. Kimball

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-------- Original Message --------
Subject: Mass. RFP - Questions & Responses - July 21, 2005
Date: Thu, 21 Jul 2005 14:03:22 -0400
From: Joseph Pradas <jpradas@keyspanenergy.com>
Organization: KeySpan

The RFP for Management Services for KeySpan's Massachusetts Gas Portfolio, dated June 17, 2005, provides for all questions submitted by potential bidders, as well as KeySpan's responses to said questions, to be shared with all potential bidders who have executed both a Confidentiality Agreement and a Notice of Intent to Respond Form.

Attached is the third and final set of questions and responses, dated July 21, 2005.

Regards,
Joe

<u>Massachusetts RFP for Portfolio Management Services</u>
<u>Bidders Questions & Responses</u>

Response to Proposal Clarification Questions (7/21/05)

1. DTI storage fuel rate are different for Settled Party and Severed party - which category does KeySpan fall under?

   <u>Response:</u>
   KeySpan is a Settled Party.

2. Further clarification to previously submitted question related to holding of title by shipper. In Exhibit D-1 of the RFP, there are two categories listed under Supply Resources and Transportation - Company Managed and Released to Asset Manager "AMA"). It will be the responsibility of KeySpan to schedule and nominate to the city gate all of the contracts with an "X" in boxes in the Company Managed column. Likewise, all contracts listed with an "X" in the boxes in the Released to AMA column will be performed as a capacity release by the Portfolio Manager. More specifically you have marked the following as Company Managed yet corresponding capacity is marked with Portfolio Manger:
   - Honeoye Storage: yet the associated TGP capacity is marked as AMA - how will you get gas to gate and does AMA have right to the capacity with no obligation of supply?
   - IGT Waddington Supply is marked as Company Managed, the Associated Iroquois capacity of 35,000 is AMA managed but the TGP capacity to Mendon and gate is Company Managed - how will this work?

   <u>Response:</u>
   KeySpan will work together with the AMA to coordinate the nomination and scheduling responsibilities for the Company and AMA Managed assets to meet the MDQ outlined in RFP Exhibit E.

3. From your Spreadsheet on Forecast Sendout - can you confirm which citygate pertains to which Company from following citygates list and what capacity is associated with the particular gate (i.e. Algonquin or Tenn.):
   - Boston, Lowell, Essex and Cape

   <u>Response:</u>
   See RFP Exhibit D-5 for a complete listing of KeySpan's citygates and the corresponding pipelines and meter numbers. Boston Gas is served by Algonquin and Tennessee, Colonial Gas (Lowell) is served by Tennessee, Colonial Gas (Cape) is served by Algonquin and Essex Gas is served by Tennessee.

4. Can the AMA view the three Company portfolios as one and manage the citygate needs by utilizing all available or will it have to utilize specific assets for a specific citygates?

   Response:
   Yes. The AMA may manage the three Company portfolios as one, but supply must be delivered to the citygate(s) of the primary contract holder.

5. In modeling what excess capacity exists in KeySpan's portfolio? Is it correct to supply system load by using the methodology provided by Exhibit E?

   Response:
   Yes. A conforming bid will use the pricing hierarchy contained in RFP Exhibit E to meet the load up to the MDQ. However the asset manager will have the discretion to supply using all released assets. The Company will nominate one total quantity by delivering pipeline daily.

6. Clarification - KeySpan can enforce the rule curve on the AMA manager in the course of the winter (example expecting the AMA to purchase additional supply at peak times).

   Response:
   Yes. As stated in Sect. 4.6 of the Agreement, "Seller will refill Buyer's storage capacity to a minimum of 95% full prior to November 1st of each contract year during the Term. In addition, Seller shall be at the Storage Rule Curve by December 1st of each contract year during the Term and shall maintain in storage no less than the lower of the paper Storage balance or the amount indicated by the Storage Rule Curve for the end of each month of the Peak period. The Storage Rule Curve is presented in Appendix 3. In complying with the lower of the Paper Storage Balance or the Storage Rule Curve, Seller may within any month allow underground storage inventory to fall below the curve so long as by the third business day prior to the end of such month, the total underground storage volume is equal to or exceeds the lower of the Paper Storage Balance or the amount indicated by the curve. Should Seller fail to do so, Buyer may at its discretion arrange for gas storage injection to bring underground storage levels to the required level and seller shall be responsible for all of Buyer's costs for doing so."

7. In verification of pipeline rates listed on the provided spreadsheet to pipeline rates posted on EBB, discovered some discrepancies - should AMA use pipeline established rates?

   Response:
   The pipeline rates provided by KeySpan were the most recent rates available at the time the document was prepared. Please use any updated tariff pipeline rates that may be available from the pipelines' electronic bulletin boards.

8. Tetco access area total 226,890 dth/d away on CDs 43,347 and FT 97,627 - is the excess access area tied to any other capacity or just flexibility from the access area?

   Response:
   KeySpan's firm transportation contracts with Tetco contain excess access area entitlements in the production area which provide operational flexibility to the shipper. That same flexibility will be available to the AMA.

9. In response to Question 27, you mention that the Company intends to notify the Seller, prior to March 31st of a contract year, its refill pricing plan. What is meant by "refill pricing plan"? How does this differ from WACOG based on a ratable injection over the April through October period?

   Response:
   At the end of each month the Company will reconcile the paper storage balance with the AMA. Prior to March 31st of a contract year, the Company will calculate, based on the best available information at that time, the total storage refill required to reach the minimum 95% storage refill level by November 1. This volume will form the basis for the storage refill plan. The price for this volume will be based on ratable injections over the seven summer months of April through October. The Company will consult with the AMA to make adjustments, as required, in response to the Company's Unbundling Program and potential underground storage withdrawals in the shoulder months.

10. Section 6.1 of the Gas Resource Portfolio Management and Gas Sales Agreement reads, "The Parties acknowledge that Buyer may extend the Initial Term by up to two additional one-year periods, i.e., up to and including March 31, 2010." Does this mean that Buyer may extend the agreement for a period of time less than one year (i.e. from April 2009 through September 2009) or can Buyer only extend the term in one-year increments?

    Response:
    Buyer can only extend the term of the Agreement in one year increments.

11. Will Buyer request RFP's before exercising its option to extend the term of the deal on 1/1/08 and/or 1/1/09?

    Response:
    The Buyer, at its sole discretion, reserves the right to issue an RFP for the option periods.

12. Does KeySpan have an extension right in its current Portfolio Management Agreement that is still exercisable by KeySpan?

Response:
The current Portfolio Management Agreement expires March 31, 2006.

13. Both the Gas Resource Portfolio Management and Gas Sales Agreement and Buyer's response to Question 28 in the prior set of questions indicate that storage carrying costs will be equal to LIBOR plus 5 basis points. Does buyer intend for this to be 0.05% or 5%? What LIBOR rate is buyer referring to (i.e. 1-month, 1-year)?

Response:
The storage carrying costs will be equal to LIBOR plus 5 basis points (.05%). The LIBOR rate referenced above is 1-month LIBOR.

14. In taking into consideration Buyer's Unbundling Program, should volumes associated with this program be netted off of the system load as well as the overall capacity of the assets?

Response:
Yes. The volumes associated with the Unbundling Program should be netted off of the system load as well as the overall capacity of the assets.

15. Is the Canadian baseload supply and associated transport capacity included in the Unbundling Program?

Response:
Yes. The Canadian baseload supply and associated transport capacity are also included in the Company's Unbundling Program.

16. Could you please provide an example of how a volume of 10,000 dth/d under the Unbundling Program would be allocated its "slice of system" capacity if such load were delivered off of Tennessee, and a separate example if such load were delivered off of Algonquin?

Response:
If a marketer aggregated 10,000 dts of capacity under the slice of the system approach, the marketer would be allocated a weighted average volume of 10,000 dts made up of peaking, storage and longhaul capacity. The allocation of each of these resources is based on the sum of the load factors in the marketers' pool. The contracts by LDC and pipeline and allocation factors can be found on the Company's website under Business Partner, Energy Marketers.

17. The forecasted system load information is very helpful. Would it also be possible to get a forecast of the quantity expected for the Unbundling Program? Are there any material changes to the Unbundling Program that would cause these quantities to grow or shrink over the next 2-4 years?

Response:
The Company is not prepared to provide a forecast of its Unbundling Program at this time. The Company is not aware of any material changes that would significantly impact the quantities contained in its existing Unbundling Program.

18. For any guaranteed revenue or sharing revenue payable to KeySpan under this Portfolio Management arrangement, how is such revenue allocated between the utilities' ratepayers and shareholders? Please describe any incentive rate or performance based rate mechanisms that would impact KeySpan's actions under the Portfolio Management arrangement.

Response:
From the bidders point of view the obligation is to maximize the value regardless of shareholder/ratepayer impact.

The allocation of revenues under a Portfolio Management arrangement have historically been treated in accordance with the Department of Telecommunication and Energy's order in Interruptible Transportation, D.P.U. 93-141. See also, Boston Gas Company, Colonial Gas Company and Essex Gas Company, D.T.E. 99-76 at 23; KeySpan Energy Delivery New England, D.T.E. 04-9 at 13-14.

19. When and how might Buyer recall storage capacity (follow up to Q&A #11 from 7/8/05 KeySpan responses)?

Response:
KeySpan might recall storage capacity at the end of the term of the Agreement or in the case of failure to perform on the part of the AMA.

20. If LNG import capacity dramatically increased in the KeySpan NE service area, what impact would that have on the Portfolio Management arrangement?

Response:
As with any new supplies or pipeline projects available to KeySpan, the Company will perform due diligence to evaluate any and all opportunities available to meet the needs of its customers.

21. Under the Gas Resource Portfolio Management and Gas Sales Agreement, it is clear that Seller has a firm obligation to sell and deliver gas up to the MDQ based on Buyer's nominations to Seller. Under such agreement, however, it appears that Buyer would have the ability to purchase gas from third parties in lieu of purchasing gas from Seller. Please clarify KeySpan's intention with respect to its obligations to purchase gas from Seller.

Response:
As stated in Sect. 3.2 of the Agreement, " Both Buyer and Seller understand that, upon hitting a storage ratchet based on Buyer's storage inventory balance, Seller shall remain obligated to sell and deliver up to the MDQ; however, in that event, Buyer may elect to satisfy its city gate requirements through the utilization of Company Managed Assets and/or the purchase from a third party to the MDQ. " In addition, as stated in Sect. 3.2.1 of the Agreement, "From time to time during the Term of this Agreement, Seller may sell and Buyer may purchase quantities in excess of the MDQ, provided that both Buyer and Seller agree to such delivery. Nothing contained in this Sect 3.2.1 shall prevent Buyer from purchasing quantities of Gas in excess of the MDQ from a third party(s) other than Seller."

22. In Section 5.1 of the Gas Resource Portfolio Management and Gas Sales Agreement, "agency rights" are referenced. What type of agency rights does Buyer envision, and to which contracts might such an agency arrangement apply?

Response:
The Company may assign agency rights -- under which title would not pass but the AMA could control the use of the assets -- to the AMA for nomination purposes for certain select assets designated as "Company Managed" in RFP Exhibit D-1."

23. Follow up to Q&A #27 from 7/8/05 KeySpan responses – In the response to this question, it states: "The Company intends to notify the Seller, prior to March 31st of a contract year, its refill pricing plan." Please clarify if this is intended to imply that Buyer has the right to designate different volumes by month for storage refill (e.g. in one year Buyer might designate more volumes for refill early in the summer injection period, and in another year Buyer might designate more volumes for refill late in the summer injection period)? If that is the case, please confirm if the calculation of Summer Index for any given year would then use a volume weighting each month based on Buyer's monthly volume designations for such year.

Response:
Please refer to Response #9 of this document.

-------- Original Message --------
Subject: Mass RFP - Evaluation of Bids
Date: Fri, 29 Jul 2005 15:48:58 -0400
From: Joseph Pradas <jpradas@keyspanenergy.com>
Organization: KeySpan
To: Nancy Culliford <nculliford@keyspanenergy.com>, Stephen A Mc Cauley <smccauley@keyspanenergy.com>, Jennifer B Feinstein <jfeinstein@keyspanenergy.com>, Mark J Leippert <mleippert@keyspanenergy.com> CC: Richard A Rapp Jr <rrapp@keyspanenergy.com>, John V Vaughn <jvaughn@keyspanenergy.com>, Elizabeth Danehy Arangio <earangio@keyspanenergy.com>, RONALD LUKAS <rlukas@keyspanenergy.com>, Cynthia Clark <cclark@keyspanenergy.com>

With regards to the evaluation of the Mass. RFP bids, I thought it would be worthwhile to, at first, assemble a small team to take an initial pass at the bids. Once this is completed (and in very short order), we would then reach out to all of the necessary folks/disciplines to fully analyze the bids.

With this in mind, I thought that it would make sense to have the the first (and small) team consisting of Nancy Culliford, Steve Mc Cauley, Mark Leippert, Jennifer Feinstein and myself.

I will be forwarding to all of you an electronic copy of the bids. I've also scheduled a meeting for this coming Wednesday, August 3rd, in Lynbrook, from 8:30am to 12pm to review the bids. This will hopefully give all of us an opportunity to review the proposals prior to the meeting on Wednesday.

Please let me know if this works for you.

Thanks.
Joe

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-------- Original Message --------
Subject: [Fwd: [Fwd: FW: KeySpan Mass RFP- Response]] - Coral Bid
Date: Mon, 01 Aug 2005 07:21:15 -0400
From: Joseph Pradas <jpradas@keyspanenergy.com>
Organization: KeySpan
To: Jennifer B Feinstein <jfeinstein@keyspanenergy.com>, Stephen A Mc Cauley <smccauley@keyspanenergy.com>, "Mark J. Leippert" <mleippert@keyspanenergy.com>, "Nancy G. Culliford" <nculliford@keyspanenergy.com>

FYI

-------- Original Message --------
Subject: [Fwd: FW: KeySpan Mass RFP- Response]
Date: Fri, 29 Jul 2005 16:22:13 -0400
From: Richard Kunz <rkunz@keyspanenergy.com>
Organization: KeySpan
To: jpradas@keyspanenergy.com

-------- Original Message --------
Subject: FW: KeySpan Mass RFP- Response
Date: Fri, 29 Jul 2005 15:19:37 -0500
From: "Garza, Lisset"
To: "Rich Kunz (E-mail)" , "Joe Pradas (E-mail)"

> -----Original Message-----
> From: Garza, Lisset
> Sent: Friday, July 29, 2005 2:54 PM
> To: 'Joe Pradas (E-mail)'
> Cc: Overdyk, Marc; Henrikson, Jim; Irwin, Ken
> Subject: KeySpan Mass RFP- Response
>
>
> Shell Trading on behalf of Coral Energy Resources, L. P. (Coral) is
> pleased to offer KeySpan Portfolio Management and Asset Optimization
> proposal under the proposed terms and conditions attached hereto.
>
> The attached proposals are not intended to be complete and all-inclusive

> of the terms and conditions of the related transaction's). These
> proposals are not an offer, a solicitation of an offer, or a commitment
> of Coral or any affiliate of Coral. The transaction's) described herein
> are subject to further review and approval of Coral's executive
> management and execution of definitive agreements containing all
> appropriate provisions. As the information contained herein is
> proprietary, please keep this material confidential.
>
> <> < Response.doc>> <>
> Lisset Garza
>
> Shell Trading Gas & Power
> 909 Fannin St., Houston, TX 77010, USA
>
> Tel: +713-767 5470 Fax: +713 265 5470
> Email: lgarza@coral-energy.com
> Internet: http://www.shell.com
>

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Pgs. 162 - 195

-------- Original Message --------
Subject: [Fwd: FW: MLCI Response to the KEDNE 2005 RFP] - Merrill Lynch
Bid Date: Mon, 01 Aug 2005 07:22:30 -0400 From: Joseph Pradas <jpradas@keyspanenergy.com> Organization: KeySpan To: Jennifer B Feinstein <jfeinstein@keyspanenergy.com>, "Mark J. Leippert" <mleippert@keyspanenergy.com>, Stephen A Mc Cauley <smccauley@keyspanenergy.com>, "Nancy G. Culliford" <nculliford@keyspanenergy.com>

FYI

-------- Original Message --------
Subject: FW: MLCI Response to the KEDNE 2005 RFP
Date: Fri, 29 Jul 2005 15:22:47 -0400
From: "Beggins, Chris (MLCI)" <chris_beggins@ml.com>
To: jpradas@keyspanenergy.com
CC: "Tiemann, Lon (MLCI)" <lon_tiemann@ml.com>, "Goodman, David (MLCI)" <david_goodman@ml.com>

Joe,

Attached please find MLCI s bid response to the KEDNE RFP dated June 17, 2005.

Thank you in advance for the opportunity to participate in this process.
We look forward to your questions and comments.

Sincerely,

Chris Beggins

Managing Director

Gas Origination

MLCI

713-544-7761

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Pgs. 198 - 228

-------- Original Message --------
Subject: [Fwd: Tenaska response to Keyspan RFP] - Tenaska Bid
Date: Mon, 01 Aug 2005 07:24:50 -0400
From: Joseph Pradas <jpradas@keyspanenergy.com>
Organization: KeySpan
To: Jennifer B Feinstein <jfeinstein@keyspanenergy.com>, Stephen A Mc Cauley <smccauley@keyspanenergy.com>, Mark J Leippert <mleippert@keyspanenergy.com>, "Nancy G. Culliford" <nculliford@keyspanenergy.com>

FYI

-------- Original Message --------
Subject: Tenaska response to Keyspan RFP
Date: Fri, 29 Jul 2005 08:39:27 -0500
From: Hall John <JHall@TMVGAS.COM>
To: jpradas@keyspanenergy.com
CC: Hall John <JHall@TMVGAS.COM>, Dudley Sandra <SDudley@TMVGAS.COM>, Howe Jon <JHowe@TMVGAS.COM>, Metzler Mike <MMetzler@TMVGAS.COM>

Dear Mr. Pradas,

Pursuant to the instructions in your RFP for Portfolio Management Services, attached are the following electronic versions of the bid documents that were sent to you via overnight mail on Wednesday of this week:

- Tenaska Marketing Ventures (TMV) proposal document.
- Exhibit A: Bidder qualification questionnaire
- Exhibit B: Contract redline comments
- Exhibit C: Commodity Pricing Summary
- Examples of Portfolio Management Reports

Please let me know if you have any questions regarding any of this material, or have difficulty opening any of the documents.

The rest of the Tenaska team and I look forward to working with you and the KeySpan New England team on this Portfolio Management opportunity.

John G. Hall

Regional Director, Marketing
Tenaska Marketing Ventures
11718 Nicholas Street
Omaha, Nebraska 68154-4413
Phone: 402-758-6136
Fax: 402-758-6274
Cell: 402-699-1074
E-mail: jhall@tmvgas.com <mailto:jhall@tmvgas.com>

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Pgs. 231 - 293

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-------- Original Message --------
Subject: [Fwd: ConocoPhillips proposal for Portfolio Management Services] - ConocoPhillips Bid
Date: Mon, 01 Aug 2005 07:23:37 -0400
From: Joseph Pradas <jpradas@keyspanenergy.com>
Organization: KeySpan
To: Jennifer B Feinstein <jfeinstein@keyspanenergy.com>, Stephen A Mc Cauley <smccauley@keyspanenergy.com>, Mark J Leippert <mleippert@keyspanenergy.com>, "Nancy G. Culliford" <nculliford@keyspanenergy.com>

FYI

-------- Original Message --------
Subject: ConocoPhillips proposal for Portfolio Management Services
Date: Fri, 29 Jul 2005 14:11:09 -0500
From: "Brant, Jeffrey R." <Jeff.Brant@conocophillips.com>
To: "Joseph Pradas (E-mail)" <jpradas@keyspanenergy.com>
CC: "Hussey, Will W" <Will.W.Hussey@conocophillips.com>, "Jones, Teddy G." <Ted.Jones@conocophillips.com>, "Graham, Jackie E." <Jackie.E.Graham@conocophillips.com>, "Sbaschnig, Matthew F." <Matthew.F.Sbaschnig@conocophillips.com>, "Holub, Karen E." <Karen.Holub@conocophillips.com>, "Horton, Stan" <Stan.Horton@conocophillips.com>, "Johnson, Todd G" <Todd.G.Johnson@conocophillips.com>, "McMurry, Eric J." <Eric.McMurry@conocophillips.com>, "Mischke, Troy E." <Troy.E.Mischke@conocophillips.com>, "Riordan, Tim F." <Tim.F.Riordan@conocophillips.com>, Robert Tara <Robert.A.Tara@conocophillips.com>, "Taylor, Keith A." <Keith.A.Taylor@conocophillips.com>, "Itkins, Jakovs" <Jakovs.Itkins@conocophillips.com>, "Walter, R. Neil" <R.N.Walter@conocophillips.com>, "Yang, Ling" <Ling.Yang@conocophillips.com>

Joseph,
Attached please find ConocoPhillips proposal for Portfolio Management Services for KeySpan Energy Delivery New England. Four hard copies of the attached proposal along with copies of our annual reports and 2005 fact books will arrive on Monday via overnight mail as we discussed on the telephone earlier this week. Four hard copies of our most recent form 10K will be arriving in a separate package from our Bartlesville, OK

office. We appreciate the opportunity to submit a bid and look forward to future opportunities. If you have any questions regarding our bid package please do not hesitate to call me at (315) 453-7353.

Jeff Brant
Director, NE Origination
<>

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Pgs. 296 - 319

-------- Original Message --------
Subject: Mass RFP - Update
Date: Mon, 01 Aug 2005 08:12:39 -0400
From: Joseph Pradas <jpradas@keyspanenergy.com>
Organization: KeySpan
To: Cynthia R Clark <cclark@keyspanenergy.com>, Richard A Visconti <rvisconti@keyspanenergy.com>, Thomas P ONeill <toneill@keyspanenergy.com>, "Nancy G. Culliford" <nculliford@keyspanenergy.com>, "Theodore E Poe Jr." <tpoe@keyspanenergy.com>, Dino C Papetti <dpapetti@keyspanenergy.com>, Elizabeth Danehy Arangio <earangio@keyspanenergy.com>, TERRENCE KAIN <tkain@keyspanenergy.com>, Jennifer B Feinstein <jfeinstein@keyspanenergy.com>, "John E. Allocca" <jallocca@keyspanenergy.com>, Mark J Leippert <mleippert@keyspanenergy.com>, Stephen A Mc Cauley <smccauley@keyspanenergy.com>, John V VAUGHN <jvaughn@keyspanenergy.com>, Lori Ramos Marilla <lmarilla@keyspanenergy.com>, James G Holodak Jr <jholodak@keyspanenergy.com>, CECIL BROOKS <cbrooks@keyspanenergy.com>, Laurence D Froehlich <lfroehlich@keyspanenergy.com>, "Melissa A. Reges" <mreges@keyspanenergy.com>, "Nancy C. Cianflone" <ncianflone@keyspanenergy.com> CC: Joseph F Bodanza Jr <jbodanza@keyspanenergy.com>, Richard A Rapp Jr <rrapp@keyspanenergy.com>, Michael A Walker <mwalker@keyspanenergy.com>, RONALD LUKAS <rlukas@keyspanenergy.com>

With the deadline for submitting bids re: Mass. RFP having passed (5:00PM - July 29, 2005), following is a breakdown of the activity which took place during the bid process from the standpoint of bidder interest:

" Number of potential bidders contacted - 23

" Companies indicating an interest in participating in the process - 14 (signed CA and submitted Intent to Respond Form)

" Breakdown of the 14 potential bidders which expressed an initial interest:
o No follow-up response - 4 (ONEOK, Cargill, Cinergy, DTE Energy)
o Regrets - 6 (BP Energy, Marathon Oil, Sempra, Sequent, Sprague, UBS Warburg) o Submitted bids - 4 (ConocoPhillips, Merrill Lynch, Tenaska, Coral)

The plan is to have, on a very short timeline, a small team consisting of

Nancy Culliford, Jennifer Feinstein, Mark Leippert., Steve Mc Cauley and myself take a first pass at evaluating the bids, with an expanded review to follow shortly thereafter.

Joe

-------- Original Message --------
Subject: Mass. RFP - Tenaska's Bid - Clarification
Date: Mon, 15 Aug 2005 15:32:47 -0400
From: Joseph Pradas <jpradas@keyspanenergy.com>
Organization: KeySpan
To: Stephen A Mc Cauley <smccauley@keyspanenergy.com>, "Nancy G. Culliford" <nculliford@keyspanenergy.com>, Jennifer B Feinstein <jfeinstein@keyspanenergy.com>, Mark J Leippert <mleippert@keyspanenergy.com>, "Theodore E Poe Jr." <tpoe@keyspanenergy.com>
CC: Cynthia R. Clark <cclark@keyspanenergy.com>, Elizabeth Danehy Arangio <earangio@keyspanenergy.com>

As a follow-up to our preliminary review of the bids re: Mass RFP, I spoke with John Hall, Regional Director-Tenaska Marketing, with an eye on getting clarification on a few broad issues and following were his points:

Option #1

- The sharing applies to the guaranteed net margin of million, and therefore, KSE only gets a guaranteed $ (or of the first $.); - Gas Supply Arrangement: "KeySpan needs to procure any additional gas supply for its city gate", means that KSE has to by all of the gas supply it needs beyond what has been designated as company managed gas supply, per the RFP. In other words, KSE buys (and pays) for all of its gas requirements and TMV will manage it. In line with this approach, the gas in storage would be paid upfront by us.

Option #2

- The sharing applies to the guaranteed net margin of $ million, and therefore, KSE only gets a guaranteed $ (or of the first $); - Gas Supply Arrangement: Swing Gas - self explanatory, with a demand charge being levied per their Exhibit C; Baseload Supply - KSE buys all of the baseload gas, and the gas in storage is on our account.

It would certainly appear that these clarifications further dilutes the value of Tenaska's bid.

Joe

-------- Original Message --------
Subject: Re: Amended Mass. RFP
Date: Fri, 09 Sep 2005 16:48:57 -0400
From: Joseph Pradas <jpradas@keyspanenergy.com>
Organization: KeySpan
To: Joseph Pradas <jpradas@keyspanenergy.com>
CC: Joseph F Bodanza Jr <jbodanza@keyspanenergy.com>, Richard Rapp <rrapp@keyspanenergy.com>, RONALD LUKAS <rlukas@keyspanenergy.com>, William C Walker <wwalker@keyspanenergy.com>, Stephen McCauley <smccauley@keyspanenergy.com>, TERRENCE KAIN <tkain@keyspanenergy.com>, John Vaughn <jvaughn@keyspanenergy.com>, "Mark J. Leippert" <mleippert@keyspanenergy.com>, Scott D Vonderheide <svonderheide@keyspanenergy.com>, James G Holodak Jr <jholodak@keyspanenergy.com>, "Cynthia R. Clark" <cclark@keyspanenergy.com>, Thomas P ONeill <toneill@keyspanenergy.com>, Richard A Visconti <rvisconti@keyspanenergy.com>, Elizabeth Danehy Arangio <earangio@keyspanenergy.com>, Nancy Culliford <nculliford@keyspanenergy.com>, "Theodore E Poe Jr." <tpoe@keyspanenergy.com>, Dino C Papetti <dpapetti@keyspanenergy.com>, CECIL BROOKS <cbrooks@keyspanenergy.com>, Jennifer B Feinstein <jfeinstein@keyspanenergy.com> References:
<432087B1.1070907@keyspanenergy.com>

FYI.

At bidders' request, the bid deadline has been extended by one day to Tuesday, September 13, 2005, at 5:00PM.

Joe

Joseph Pradas wrote:

> FYI re: Amended Mass. RFP
>
> Joe
>
> -------- Original Message --------
> Subject: Mass. RFP: Amended
> Date: Wed, 07 Sep 2005 18:26:23 -0400
> From: Joseph Pradas <jpradas@keyspanenergy.com>
> Organization: KeySpan
> To: undisclosed-recipients: ;
>

>
>
>Due to the modification of certain of KeySpan's upstream gas supply
>contracts, in a manner that affects KeySpan's supply portfolio tier
>pricing structure, we are hereby requesting that each of the parties who
>submitted bids in response to KeySpan's RFP, dated June 17, 2005,
>resubmit their bids to reflect these changes.
>
>Please see the attached cover letter and exhibits for further
>information/clarification.
>
>Regards,
>Joe
>
>
>

Cheryl M. Kimball

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-------- Original Message --------
Subject: Mass RFP Bids - Credit Issues
Date: Mon, 01 Aug 2005 08:47:28 -0400
From: Joseph Pradas <jpradas@keyspanenergy.com>
Organization: KeySpan
To: James G Holodak Jr <jholodak@keyspanenergy.com>, CECIL BROOKS <cbrooks@keyspanenergy.com>
CC: Jennifer B Feinstein <jfeinstein@keyspanenergy.com>, "Nancy G. Culliford" <nculliford@keyspanenergy.com>, Stephen A Mc Cauley <smccauley@keyspanenergy.com>, Mark J Leippert <mleippert@keyspanenergy.com>

Jim/Cecil,

With credit issues, including parent guarantees, credit rating, etc., playing such a significant part in determining the viability of the potential bidders re: Mass RFP bid evaluations, I would ask that you begin your review of the four companies which have submitted bids in response to our RFP as soon as possible.

The four entities are:
- Coral Energy Resources, L.P.
- Merrill Lynch Commodities Inc.
- Tenaska Marketing Ventures
- ConocoPhillips Gas and Power Marketing

Please let me know if you have any questions.

Thanks.
Joe

-------- Original Message --------
Subject: Re: MLCI's Proposals to the KEDNE RFP dated June 17, 2005 and submitted July 29, 2005 Date: Thu, 04 Aug 2005 17:30:21 -0400 From:
Joseph Pradas <jpradas@keyspanenergy.com> Organization: KeySpan To:
Beggins, Chris (MLCI) <chris_beggins@ml.com> References:
<4A3416711F19FC47AC97670BD063BA5107992392@mlnyb701mb.amrs.win.ml.com
>

Thank you.

Joe

Beggins, Chris (MLCI) wrote:

> Dear Joe,
>
> This email is to withdraw the restriction on Proposal 1, 2,and 3 to
> MLCI s response to the KEDNE RFP dated June 17, 2005 and submitted July
> 29, 2005:
>
> Proposal 1 and 2 Section E Proposal Subject to Review by Internal
> Merrill Lynch Governing Committee
>
> Proposal 3 Section D (should have been labeled Section E) Proposal
> Subject to Review by Internal Merrill Lynch Governing Committee
>
> MLCI has received approval to remove the above restrictions from our
> proposals.
>
> If you have any questions, please feel free to contact me at
> 713-544-7761.
>
> Sincerely,
>
> Chris Beggins
>
> --

-------- Original Message --------
Subject: [Fwd: Credit Analyses: NE Gas Contract Bidders]
Date: Tue, 23 Aug 2005 09:36:02 -0400
From: Cecil Brooks <cbrooks@keyspanenergy.com>
Organization: KeySpan
To: Joseph Pradas <jpradas@keyspanenergy.com>

Joe,

Please see the attached credit analyses of the four companies that submitted bids. Let me know if you need anything else for your meeting. Thanks.

-------- Original Message --------
Subject: Credit Analyses: NE Gas Contract Bidders
Date: Thu, 11 Aug 2005 13:17:46 -0400
From: Cecil Brooks <cbrooks@keyspanenergy.com>
Organization: KeySpan
To: James G Holodak Jr <jholodak@keyspanenergy.com>
CC: Erik Payton <epayton@keyspanenergy.com>

Jim,

Attached for your review are credit analyses of the 4 companies that have submitted bids to manage the New England gas assets. Joe Pradas has scheduled a meeting on August 18 to discuss these entities, and I believe he would like to have our recommendations before the meeting. Let me know if you have any questions. Thanks.

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Removed

Pgs. 328 - 363

Cheryl M. Kimball

55

-------- Original Message --------
Subject: Mass. RFP: Re-issuance of RFP
Date: Wed, 07 Sep 2005 18:26:23 -0400
From: Joseph Pradas <jpradas@keyspanenergy.com>
Organization: KeySpan
To: undisclosed-recipients:;

Due to the modification of certain of KeySpan's upstream gas supply contracts, in a manner that affects KeySpan's supply portfolio tier pricing structure, we are hereby requesting that each of the parties who submitted bids in response to KeySpan's RFP, dated June 17, 2005, resubmit their bids to reflect these changes.

Please see the attached cover letter and exhibits for further information/clarification.

Regards,
Joe

Dear Bidder:

Boston Gas Company, Colonial Gas Company, and Essex Gas Company, each d/b/a KeySpan Energy Delivery New England ("KeySpan") thank you for your bid submittal in response to KeySpan's June 17, 2005 Request for Proposal to provide portfolio management services to KeySpan ("RFP"). Subsequent to the issuance of the RFP, however, certain of KeySpan's upstream gas supply contracts have been modified, effective April 1, 2006, in a manner that affects KeySpan's supply portfolio tier pricing structure. Consequently, we are hereby requesting that each of the parties who submitted bids in response to KeySpan's RFP resubmit their bid materials to reflect these changes. Revised Exhibits D-2 and E, attached to this letter, contain the changes, with each of them highlighted on revised Exhibit E. (This information is confidential and the provisions of the confidentiality agreements you signed apply thereto.)

If the changes, addressed above, have no effect on your proposal, simply provide a letter indicating that. If the changes, however, do affect your proposal, an amended proposal is required to be submitted to KeySpan, modified only for these changes. KeySpan will consider the price, terms and conditions of the amended proposal to be a firm offer.

Any questions regarding this request must be submitted in writing through email to jpradas@keyspanenergy.com, and/or by contacting me on my cell phone 718-344-2581, and KeySpan will endeavor to reply promptly.

Except for this requested submittal, the bid process is not reopened. This is not an opportunity to address any other aspect of the RFP.

It is necessary that you address this issue in order to continue to be considered as a qualified bidder for this RFP.

All other terms and conditions of the original KeySpan RFP shall continue to apply.

Please deliver four hard copies (in a sealed package or packages) and one electronic copy of these requested materials **no later than 5:00 PM on Monday, September 12, 2005** to:

Joseph G. Pradas
Director Strategic Execution and Compliance
KeySpan
303 Merrick Road
Suite 501
Lynbrook, NY 11536

Regards,

Joseph G. Pradas
Director Strategic Execution and Compliance

Exhibit E: Price Tiers - Boston, Colonial, Essex Combined - Nov - Mar Period

*** REVISED**
7-Sep-05

TENNESSEE

Description	MDQ (see note 2 & 4)	Baseload Index	Swing Index	Notes
Canadian Baseload Tier				
3P/Nexen - Gate	12,154	No Price	n/a - baseload only	Canadian Supply
ANE - IGTS - Wright - Gate	16,600	No Price	n/a - baseload only	Canadian Supply
Imperial	43,200	No Price	n/a - baseload only	Canadian Supply
	71,954			
Domestic Baseload/Swing Tiers				
Zn 1, 100 Leg TENNESSEE to Zone 6 TENNESSEE	263	Inside FERC, Tenn La, 800 leg	Gas Daily - Tenn La, 800 leg	Tenn Longhaul
Zn 0, 100 Leg TENNESSEE to Zone 6 TENNESSEE	48,472	Inside FERC Tenn Tx, Zone0	Gas Daily - Tenn Zone 0	Tenn Longhaul
Zn 1, 800 Leg TENNESSEE to Zone 6 TENNESSEE	24,142	Inside FERC, Tenn La, 800 leg	Gas Daily - Tenn La, 800 leg	Tenn Longhaul
Zn 1, 500 Leg TENNESSEE to Zone 6 TENNESSEE	56,779	Inside FERC, Tenn La, 500 leg	Gas Daily - Tenn La, 500 leg	Tenn Longhaul
Z4 to Z6 Tenn	2,655	n/a - Swing Only	Mutually agreed pricing	No Supply Contract
	132,311			
Canadian Swing Tier (1)				
IGTS Waddington - Wright - Gate	15,000	Mutually Agreed Price	Mutually Agreed Price	
	15,000			
Storage Tier				
Honeoye Storage	6,150	Storage WACOG	Storage WACOG	See Note 1
National Fuels FSS Storage	6,084	Storage WACOG	Storage WACOG	See Note 1
TGP FSMA Storage	95,415	Storage WACOG	Storage WACOG	See Note 1
	107,649			
Total Tennessee	**326,914**			

Algonquin

Description	Volume	Baseload Index	Swing Index	Notes
Canadian Baseload Tier				
Mendon - AGT - Gate	4,000	No Price	n/a - baseload only	Canadian Supply
Mendon - AGT - Gate	2,000	No Price	n/a - baseload only	Canadian Supply
	6,000			
Domestic Baseload/Swing Tiers				
* TETCO WLA - Lambertville - Citygate	37,779	Inside FERC - Tetco WLA	Gas Daily - Tetco WLA	Tetco Longhaul
* TETCO ELA - Lambertville - Citygate	62,814	Inside FERC - Tetco ELA	Gas Daily - Tetco ELA	Tetco Longhaul
ETCO STX - Lambertville - Citygate	24,406	Inside FERC - Tetco STX	Gas Daily - Tetco STX	Tetco Longhaul
ETCO ETX - Lambertville - Citygate	16,530	Inside FERC - Tetco ETX	Gas Daily - Tetco ETX	Tetco Longhaul
TX GAS Z1 - Lebanon-Leidy-Lambertville-Citygate	2,741	Inside FERC - TX Gas Z1	Gas Daily - TX Gas Z1	into DTI
TX GAS Z SL - Lebanon-Leidy-Lambertville-Citygate	10,539	Inside FERC - TX Gas Z SL	Gas Daily - TX Gas Z SL	into DTI
* Leidy - Lambertville - Citygate	4,295	Inside FERC - Transco Z6 NonNY	Gas Daily - Transco Z6 NonNY	into DTI
Leidy - Centerville - Citygate	6,912	Inside FERC - Transco Z6 NonNY	Gas Daily - Transco Z6 NonNY	Leidy to Gate
* Lambertville - Citygate	-	Inside FERC -Tetco M3	Gas Daily - Tetco M3	DTI excess
* Lambertville - Citygate	-	Inside FERC -Tetco M3	Gas Daily - Tetco M3	AGT to Gate
	166,016			
Canadian Swing Tier (1)				
Hubline	10,000	Mutually Agreed Price	Mutually Agreed Price	See Note 4
IGTS Waddington - Wright - Gate	19,970	Mutually Agreed Price	Mutually Agreed Price	
	29,970			
Storage Tier				
DTI GSS TE	33,910	Storage WACOG	Storage WACOG	See Note 1
DTI GSS	2,326	Storage WACOG	Storage WACOG	See Note 1
TETCO SS1	75,740	Storage WACOG	Storage WACOG	See Note 1
	111,976			
Canadian Swing Tier (2)				
Hubline	35,000	Mutually Agreed Price	Mutually Agreed Price	See Note 4
	35,000			
Total Algonquin	**348,962**			
Total Delivered	**675,876**			

Note 1:
Storage Tier volume delivered in-kind will be adjusted for applicable tariff ratchets. All such additional volumes will be priced at a mutually agreed marketprice. Nothing contained herein shall relieve Seller from its obligation to deliver Buyer's Maximum Daily Quantity as stated in Section 2.2.

Note 2:
Contract volumes reflect peak day deliverability.

e 3:
aseload and Swing prices are computed based on the weighted average of **released volumes** at each of the given pricing locations.

00366

Note 4:
Intraday nomination changes to Hubline volumes will be priced at a mutually agreed price between Buyer and Seller. Buyer will have the right to increase or decrease the HubLine volumes, up to the Hubline capacity released to Seller.

Exhibit E: Price Tiers - Boston, Colonial, Essex Combined - Apr - Oct Period

* REVISED
7-Sep-05

TENNESSEE

Description	MDQ (see note 2 & 4)	Baseload Index	Swing Index	Notes
Canadian Baseload Tier				
P/Nexen - Gate	12,154	No Price	n/a - baseload only	Canadian Supply
NE - IGTS - Wright - Gate	16,600	No Price	n/a - baseload only	Canadian Supply
Imperial	43,200	No Price	n/a - baseload only	Canadian Supply
	71,954			
Domestic Baseload/Swing Tiers				
Zn 1, 100 Leg TENNESSEE to Zone 6 TENNESSEE	263	Inside FERC, Tenn La, 800 leg	Gas Daily - Tenn La, 800 leg	Tenn Longhaul
Zn 0, 100 Leg TENNESSEE to Zone 6 TENNESSEE	48,472	Inside FERC Tenn Tx, Zone0	Gas Daily - Tenn Zone 0	Tenn Longhaul
Zn 1, 800 Leg TENNESSEE to Zone 6 TENNESSEE	24,142	Inside FERC, Tenn La, 800 leg	Gas Daily - Tenn La, 800 leg	Tenn Longhaul
Zn 1, 500 Leg TENNESSEE to Zone 6 TENNESSEE	56,779	Inside FERC, Tenn La, 500 leg	Gas Daily - Tenn La, 500 leg	Tenn Longhaul
Z4 to Z6 Tenn	2,655	n/a - Swing Only	Mutually agreed pricing	No Supply Contract
	132,311			
Canadian Swing Tier (1)				
IGTS Waddington - Wright - Gate	15,000	Mutually Agreed Price	Mutually Agreed Price	
	15,000			
Storage Tier				
Honeoye Storage	6,150	Storage WACOG	Storage WACOG	See Note 1
National Fuels FSS Storage	6,084	Storage WACOG	Storage WACOG	See Note 1
TGP FSMA Storage	95,415	Storage WACOG	Storage WACOG	See Note 1
	107,649			
Total Tennessee	**326,914**			

Algonquin

	Description	Volume	Baseload Index	Swing Index	Notes
	Canadian Baseload Tier				
	Mendon - AGT - Gate	4,000	No Price	n/a - baseload only	Canadian Supply
	Mendon - AGT - Gate	2,000	No Price	n/a - baseload only	Canadian Supply
		6,000			
	Domestic Baseload/Swing Tiers				
*	TETCO WLA - Lambertville - Citygate	37,779	Inside FERC - Tetco WLA	Gas Daily - Tetco WLA	Tetco Longhaul
*	TETCO ELA - Lambertville - Citygate	62,814	Inside FERC - Tetco ELA	Gas Daily - Tetco ELA	Tetco Longhaul
*	TETCO STX - Lambertville - Citygate	24,406	Inside FERC - Tetco STX	Gas Daily - Tetco STX	Tetco Longhaul
*	TETCO ETX - Lambertville - Citygate	16,530	Inside FERC - Tetco ETX	Gas Daily - Tetco ETX	Tetco Longhaul
	GAS Z1 - Lebanon-Leidy-Lambertville-Citygate	2,741	Inside FERC - TX Gas Z1	Gas Daily - TX Gas Z1	into DTI
	GAS Z SL - Lebanon-Leidy-Lambertville-Citygate	10,539	Inside FERC - TX Gas Z SL	Gas Daily - TX Gas Z SL	into DTI
	Leidy - Lambertville - Citygate	4,295	Inside FERC - Transco Z6 NonNY	Gas Daily - Transco Z6 NonNY	into DTI
	Leidy - Centerville - Citygate	6,912	Inside FERC - Transco Z6 NonNY	Gas Daily - Transco Z6 NonNY	Leidy to Gate
*	Lambertville - Citygate	-	Inside FERC -Tetco M3	Gas Daily - Tetco M3	DTI excess
*	Lambertville - Citygate	-	Inside FERC -Tetco M3	Gas Daily - Tetco M3	AGT to Gate
		166,016			
	Canadian Swing Tier (1)				
	Hubline	10,000	Mutually Agreed Price	Mutually Agreed Price	See Note 4
	IGTS Waddington - Wright - Gate	19,970	Mutually Agreed Price	Mutually Agreed Price	
		29,970			
	Storage Tier				
	DTI GSS TE	33,910	Storage WACOG	Storage WACOG	See Note 1
	DTI GSS	2,326	Storage WACOG	Storage WACOG	See Note 1
	TETCO SS1	75,740	Storage WACOG	Storage WACOG	See Note 1
		111,976			
	Canadian Swing Tier (2)				
	Hubline	35,000	Mutually Agreed Price	Mutually Agreed Price	See Note 4
		35,000			
	Total Algonquin	**348,962**			
	Total Delivered	**675,876**			

Note 1:
Storage Tier volume delivered in-kind will be adjusted for applicable tariff ratchets. All such additional volumes will be priced at a mutually agreed marketprice. Nothing contained herein shall relieve Seller from its obligation to deliver Buyer's Maximum Daily Quantity as stated in Section 2.2.

Note 2:
Contract volumes reflect peak day deliverability.

Note 3:
Baseload and Swing prices are computed based on the weighted average of **released volumes** at each of the given pricing locations.

e 4:
aday nomination changes to Hubline volumes will be priced at a mutually agreed price between Buyer and Seller. Buyer will have the right to increase or decrease the HubLine volumes, up to the Hubline capacity released to Seller.

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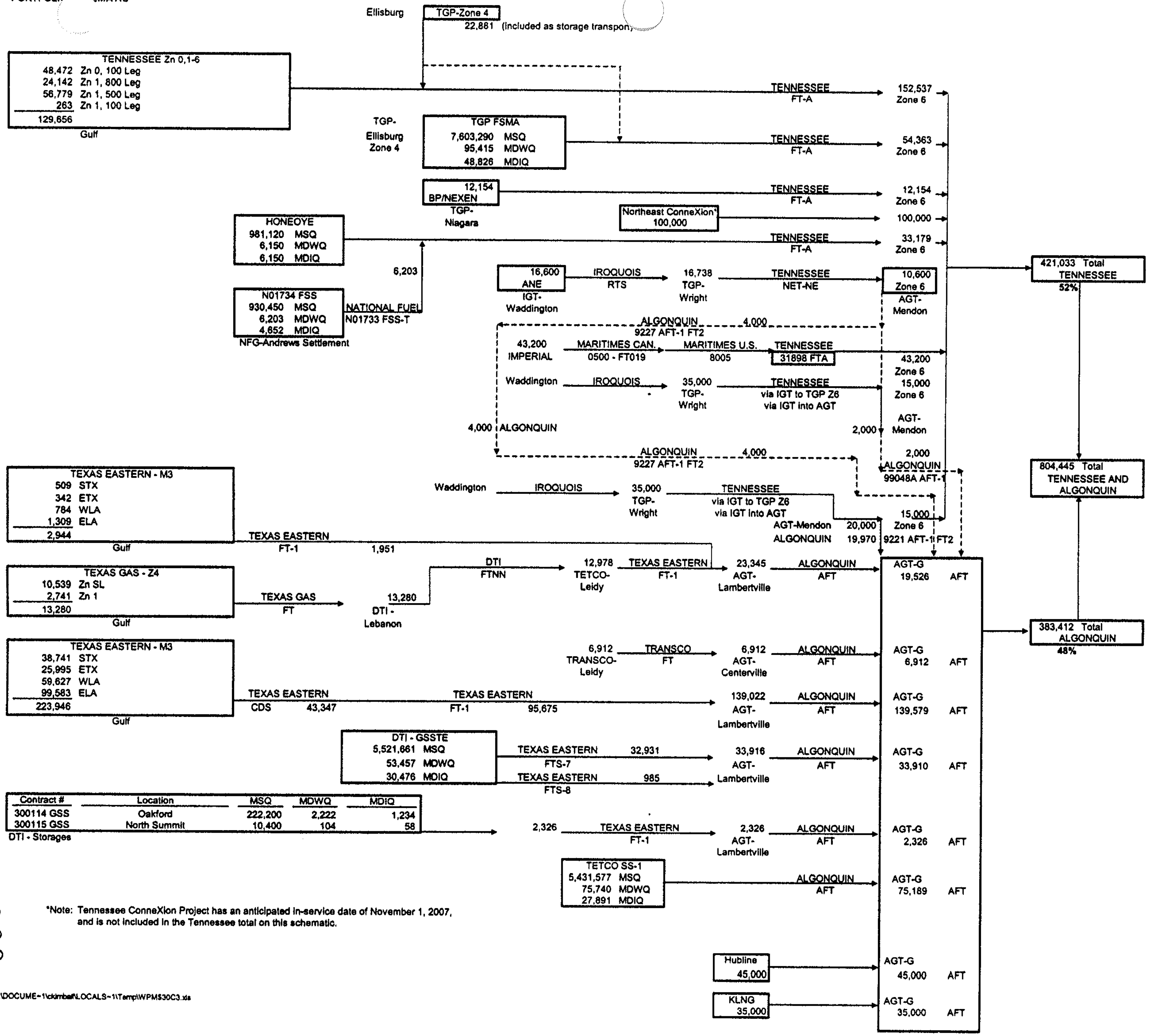
Note 5:
A portion of the Domestic Gulf Coast capacity will be designated for storage refill during the April - October period.

MASSACHUSETTS COMPANIES CONSOLIDATED
PORTFOLIO [S]CHEMATIC

REV[ISED] 09-07-05
Exhibit D-2



*Note: Tennessee ConneXion Project has an anticipated in-service date of November 1, 2007,
and is not included in the Tennessee total on this schematic.

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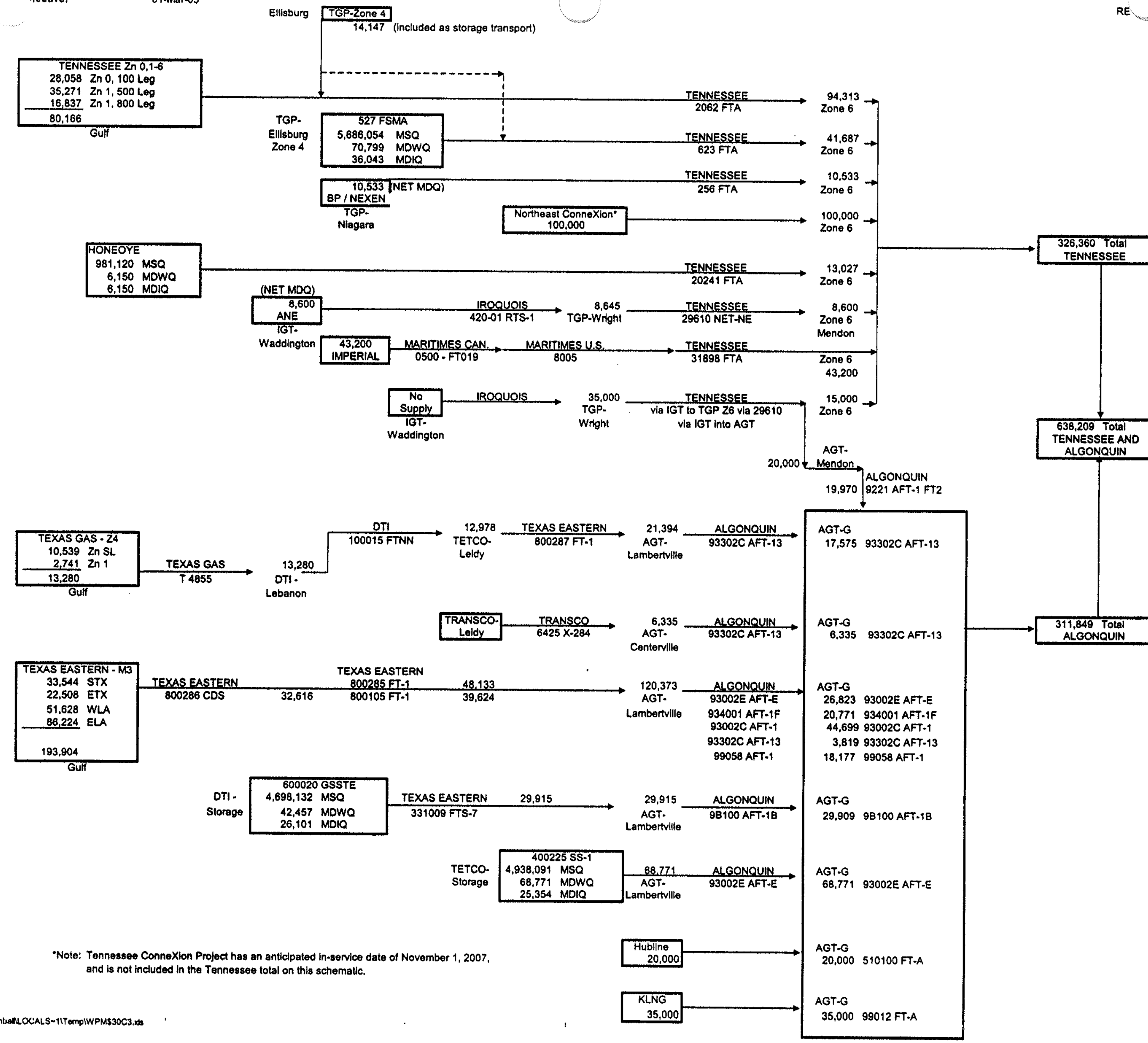
BOSTON GAS COMPANY
PORTFOLIO SCHEMATIC
ffective: 01-Mar-05

RE 09-07-05
Exhibit D-2



*Note: Tennessee ConneXion Project has an anticipated in-service date of November 1, 2007, and is not included in the Tennessee total on this schematic.

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COLONIAL GAS COMPANY
PORTFOLIO SCHEMATIC
Effective: 01-Mar-05

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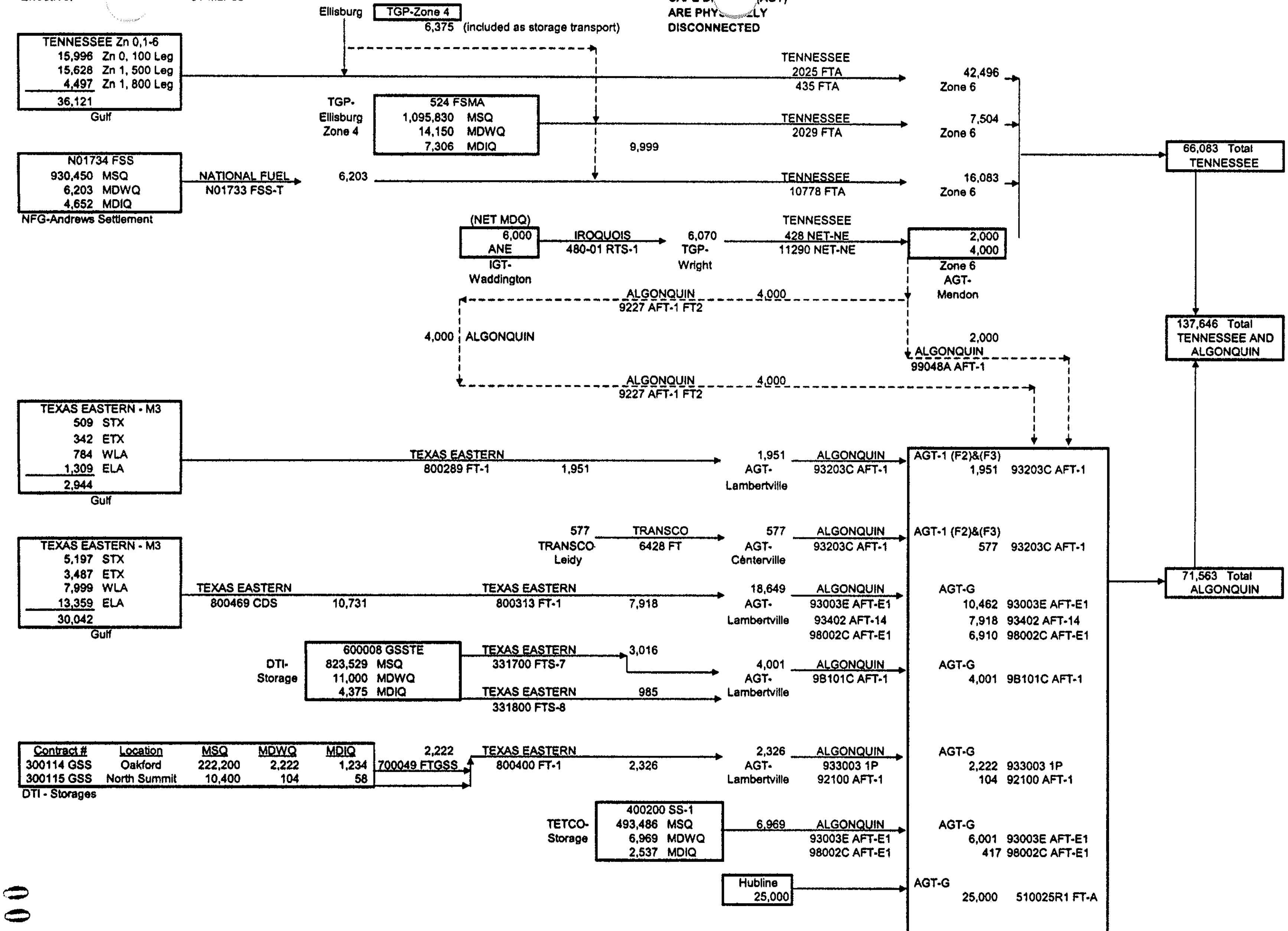
Exhibit D-2



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ESSEX COUNTY GAS COMPANY
PORTFOLIO SCH[illegible]TIC
Effective: 01-Mar-05

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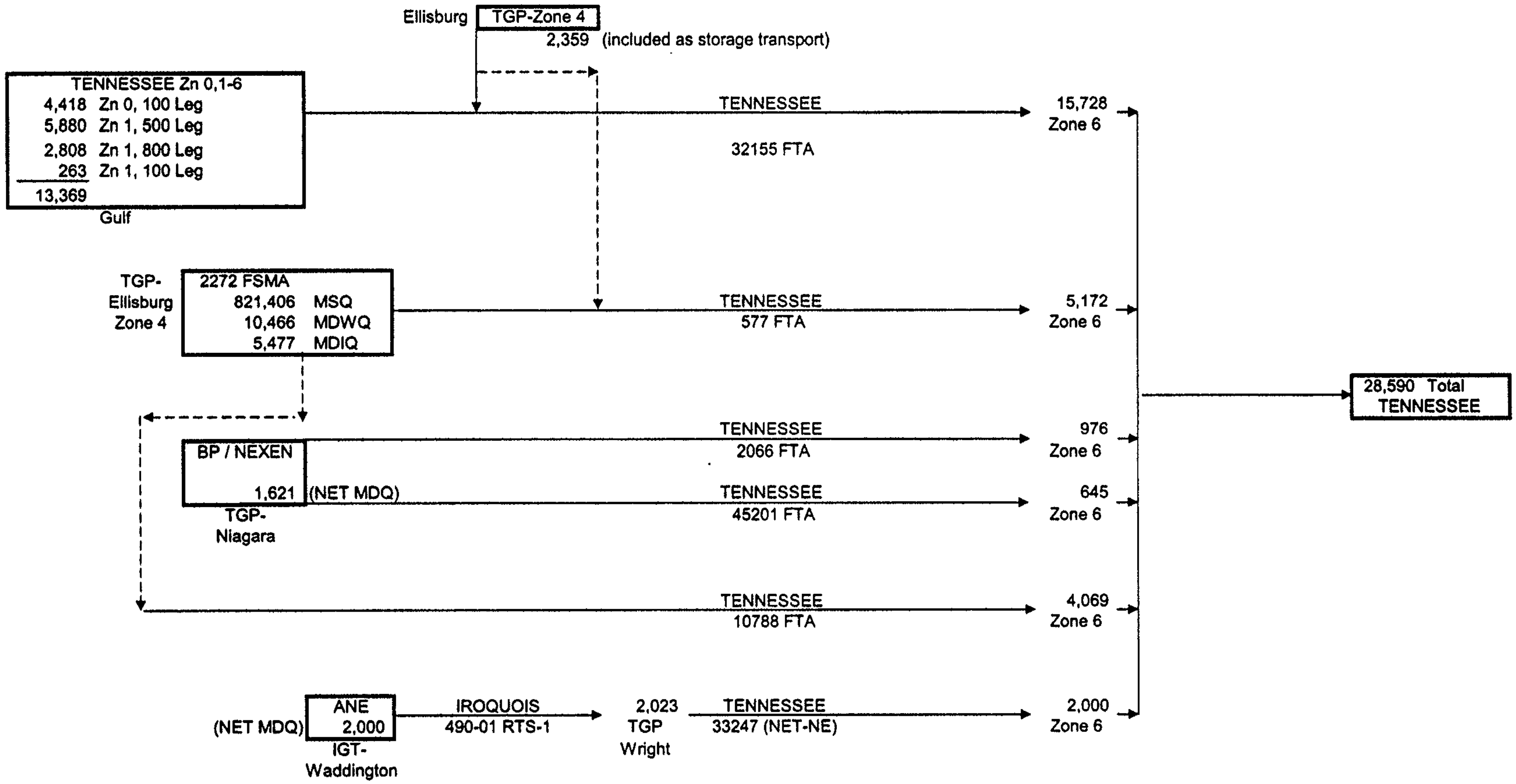
Exhibit D-2



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REVISED 07-05
Exhibit D-2

Algonquin Routes

Lambertville/Centerville to CG

	Company	Pipeline	Boston Contract #	Storage related	Citygate MDQ	Fuel % Apr-Nov	Fuel % Dec - Mar	Rates Commodity	ACA	Tot Comm
See Note Below	Boston	AGT	93002E AFT-E	Yes	95,594					
See Note Below	Boston	AGT	93002C AFT-1	Yes	44,699					
	Boston	AGT	93302C AFT-13		27,729					
See Note Below	Boston	AGT	9B100 AFT-1B	Yes	29,909					
	Boston	AGT	99058 AFT-1		18,177					
See Note Below	Colonial	AGT	98002C AFT-E1	Yes	7,327					
	Colonial	AGT	92100 AFT-1	Yes	104					
See Note Below	Colonial	AGT	9B101C AFT-1	Yes	4,001					
See Note Below	Colonial	AGT	93003E AFT-E1	Yes	16,463					
	Colonial	AGT	99048A AFT-1		2,000					
	Colonial	AGT	93203C AFT-1		2,528					
			Total		**248,531**	0.63%	1.27%	$ 0.0112	$ 0.0019	$ 0.0131
	Boston	AGT	9221 AFT-1 FT2		19,970					
	Colonial	AGT	9227 AFT-1 FT2		4,000					
			Total		**23,970**	0.63%	1.27%	$ -	$ 0.0019	$ 0.0019
	Boston	AGT	934001 AFT-1F		20,771	0.63%	1.27%	$ 0.0112	$ 0.0019	$ 0.0131
	Colonial	AGT	933003 1P	Yes	2,222	0.63%	1.27%	$ -	$ 0.0019	$ 0.0019
	Colonial	AGT	93402 AFT-14		7,918	0.63%	1.27%	$ 0.0112	$ 0.0019	$ 0.0131
	Boston	AGT	510100	No	20,000					
	Colonial	AGT	510025R1	No	25,000					
			Total Algonquin		**348,412**					

Note: **The contracts shown above have Contractual MDQs that change based on the season. The MDQs shown above are effective beginning on NOV 16th of each year. The MDQs in effect for Nov 1-15th are shown below. Please make certain that the analysis takes the changing MDQ in account**

Company	Pipeline	Contract	Nov 16th Citygate MDQ	Nov 1-15th Citygate MDQ
Boston	AGT	93002E AFT-E	95,594	85,442
Boston	AGT	93002C AFT-1	44,699	38,582
Boston	AGT	9B100 AFT-1B	29,909	19,939
Colonial	AGT	98002C AFT-E1	7,327	6,681
Colonial	AGT	9B101C AFT-1	4,001	2,668
Colonial	AGT	93003E AFT-E1	16,463	14,380
			197,993	167,692
			Differences	30,301

00372

REVISED 09-07-05
Exhibit D-2

Hubline

Company	Pipeline	Contract #	Storage related	Storage MDQ	MDQ	Citygate MDQ
Boston Gas	Hubline	510100	No	-	20,000	20,000
Colonial Gas	Hubline	510025R1	No	-	25,000	25,000
						45,000

00373

KeySpan NE Summary of Routes

REV. ...-07-05
Exhibit D-2

TET Routes

Access Areas to M3

Company	Pipeline	Boston Contract #	Citygate MDQ	ELA	WLA	STX	ETX
Boston	TETCO	800285 FT-1	48,133	34,478	20,644	13,413	9,000
Boston	TETCO	800105 FT-1	39,624	28,383	16,995	11,042	7,409
Boston	TETCO	800286 CDS	32,616	23,363	13,989	9,089	6,099
Colonial	TETCO	800313 FT-1	7,918	5,672	3,396	2,207	1,481
Colonial	TETCO	800469 CDS	10,731	7,687	4,603	2,990	2,006
Colonial	TETCO	800289 FT-1	1,951	1,309	784	509	342
			140,973	100,892	60,411	39,250	26,337

Leidy to M3

Company	Pipeline	Boston Contract #	MDQ
Boston	TETCO	800287 FT-1	21,394
		Total	21,394

Oakford to M3

Company	Pipeline	Boston Contract #	Citygate MDQ	
Boston	TETCO	331009 FTS-7	29,915	Discounted Rates, See Rate Tab
Colonial	TETCO	331700 FTS-7	3016	Discounted Rates, See Rate Tab
Colonial	TETCO	331800 FTS-8	985	Discounted Rates, See Rate Tab
		Total	33,916	

Oakford to M3

Company	Pipeline	Boston Contract #	Storage MDQ	MDQ
Colonial	TETCO	800400 FT-1	2326	2,326
		Total	2,326	2,326

Total Tetco 198,609

COMMODITY NOT INCLUDING ACA .0019 (eff. 3/1/05)

	STX	WLA	ELA	ETX	M1	M2	M3
from STX	$ 0.0136	$ 0.0146	$ 0.0206	$ 0.0206	0.0402	0.0648	0.0822
from WLA		$ 0.0097	$ 0.0157	0.0157	0.0353	0.0599	0.0773
from ELA			$ 0.0135	0.0135	0.0331	0.0577	0.0751
from ETX				0.0135	0.0331	0.0577	0.0751
from M1					0.0196	0.0442	0.0616
from M2						0.0324	0.0496
from M3							0.0246

FUEL:

Winter Period December 1 through March 31

	STX	WLA	ELA	ETX	M1	M2	M3
from STX	3.26%	3.48%	4.61%	4.61%	7.71%	9.80%	11.18%
from WLA	2.49%	2.49%	3.65%	3.65%	6.75%	8.84%	10.22%
from ELA	3.22%	3.22%	3.22%	3.22%	6.32%	8.41%	9.79%
from ETX	3.26%	3.22%	3.22%	3.22%	6.32%	8.41%	9.79%
from M1					3.10%	5.19%	6.57%
from M2						4.19%	5.59%
from M3							3.52%

All other Periods April 1 through November 30

	STX	WLA	ELA	ETX	M1	M2	M3
from STX	2.83%	2.98%	3.76%	3.77%	6.48%	7.92%	8.87%
from WLA	2.31%	2.31%	3.09%	3.09%	5.81%	7.25%	8.20%
from ELA	2.80%	2.80%	2.80%	2.80%	5.52%	6.96%	7.91%
from ETX	2.83%	2.80%	2.80%	2.80%	5.52%	6.96%	7.91%
from M1					2.72%	4.16%	5.11%
from M2						3.47%	4.44%
from M3							3.01%

00374

REV 9-07-05
Exhibit D-2

TGP Routes

TGP zone 0-6

Company	Pipeline	Boston Contract #	Citygate MDQ
Boston (100)	TGP	2062 FTA	28,058
Colonial (100)	TGP	2025 FTA	7,496
Colonial (100)	TGP	435 FTA	8,500
Essex	TGP	32155 FTA	4,418
		Total	48,472

TGP zone 1-6

Company	Pipeline	Boston Contract #	Citygate MDQ
Boston (500)	TGP	2062 FTA	35,271
Boston (800)	TGP	2062 FTA	16,837
Colonial (500)	TGP	2025 FTA	9,423
Colonial (800)	TGP	2025 FTA	4,497
Colonial (500)	TGP	435 FTA	6,205
Essex	TGP	32155 FTA	8,951
		Total	81,184

TGP zone 4-6

Company	Pipeline	Boston Contract #	Citygate MDQ
Boston	TGP	2062 FTA	14,147
Boston	TGP	623 FTA	41,687
Boston	TGP	20241 FTA	13,027
Colonial	TGP	2025 FTA	3,780
Colonial	TGP	435 FTA	2,595
Colonial	TGP	2029 FTA	7,504
Colonial	TGP	10778 FTA	16,083
Essex	TGP	577 FTA	5,172
Essex	TGP	10788 FTA	4,069
Essex	TGP	32155 FTA	2,359
		Total	110,423

TGP zone 5-6 FTA Contracts

Company	Pipeline	Boston Contract #	Citygate MDQ
Boston	TGP	256 FTA	10,533

TGP zone 5-6 FTA Contracts

Company	Pipeline	Boston Contract #	Citygate MDQ
Essex	TGP	2066 FTA	976
Essex	TGP	45201 FTA	645
		Total	1,621

TGP zone 5-6 NET Contracts

Company	Pipeline	Boston Contract #	Citygate MDQ	
Boston	TGP	29610 (3148 NET 284)	8,600	Discounted Rates, See Rate Tab
Boston	TGP	via IGT to TGP Z6	15,000	
Boston	TGP	via IGT into AGT	20,000	

TGP zone 5-6 NET-NE Contracts

Company	Pipeline	Boston Contract #	Citygate MDQ	
Colonial	TGP	428 NET-NE	2,000	Discounted Rates, See Rate Tab
Colonial	TGP	11290 NET-NE	4,000	Discounted Rates, See Rate Tab
		Total	6,000	

TGP zone 5-6 NET-NE Contracts

Company	Pipeline	Boston Contract #	Citygate MDQ	
Essex	TGP	33247 (NET-NE)	2,000	Discounted Rates, See Rate Tab

TGP zone 6-6 FTA Contracts

Company	Pipeline	Boston Contract #	Citygate MDQ	
Boston	TGP	31898 FTA	43,200	Discounted Rates, See Rate Tab
		Total	312,033	

Max Commodity Rates (Including ACA of .0019)
FT - Commodity Rates

	0	L	1	2	3	4	5
0	0.0458		0.0688	0.0899	0.0997	0.1137	0.125
L		0.0305					
1	0.0688		0.0591	0.0795	0.0893	0.1033	0.1145
2	0.0899		0.0795	0.0452	0.0549	0.07	0.0802
3	0.0997		0.0893	0.0549	0.0385	0.0682	0.0784
4	0.1148		0.1044	0.07	0.0682	0.042	0.0478
5	0.1231		0.1145	0.0802	0.0784	0.0478	0.0446
6	0.1627		0.1522	0.1178	0.1161	0.0853	0.0784

FUEL — NOV-MAR

	0	L	1	2	3	4	5
0	0.89%		2.79%	5.16%	5.88%	6.79%	7.88%
L		1.01%					
1	1.74%		1.91%	4.28%	4.99%	5.90%	6.99%
2	4.59%		2.13%	1.43%	2.15%	3.05%	4.15%
3	6.06%		3.60%	1.23%	0.69%	2.64%	3.69%
4	7.43%		4.97%	2.68%	3.07%	1.09%	1.33%
5	7.51%		5.05%	2.76%	3.14%	1.16%	1.28%
6	8.93%		6.47%	4.18%	4.56%	2.50%	1.40%

FUEL — APR-OCT

	0	L	1	2	3	4	5
0	0.84%		2.44%	4.43%	5.04%	5.80%	6.72%
L		0.95%					
1	1.56%		1.70%	3.69%	4.29%	5.06%	5.97%
2	3.95%		1.88%	1.30%	1.90%	2.66%	3.58%
3	5.19%		3.12%	1.13%	0.67%	2.32%	3.19%
4	6.34%		4.28%	2.35%	2.67%	1.01%	1.21%
5	6.41%		4.34%	2.41%	2.74%	1.07%	1.17%
6	7.61%		5.53%	3.61%	3.93%	2.20%	1.27%

00375

KeySpan NE Summary of Routes

TGT Routes

TGT Zone SL-4

Company	Pipeline	Boston Contract #	MDQ
Boston	TEXAS GAS	T 4855	10,539

TGT Zone 1-4

Company	Pipeline	Boston Contract #	MDQ
Boston	TEXAS GAS	T 4855	2,741
		Total	**13,280**

Rates for Service Under Rate Schedule FT (Effective 3/1/2005):

	Demand	Commodity Base	ACA	Rate
SL-SL	0.0751	0.0089	0.0019	0.0108
SL-1	0.1674	0.0267	0.0019	0.0286
SL-2	0.2057	0.0354	0.0019	0.0373
SL-3	0.2471	0.0458	0.0019	0.0477
SL-4	0.2994	0.0517	0.0019	0.0536
1-1	0.1368	0.0222	0.0019	0.0241
1-2	0.1751	0.0326	0.0019	0.0345
1-3	0.2161	0.0417	0.0019	0.0436
1-4	0.2688	0.0468	0.0019	0.0487
2-2	0.1172	0.0177	0.0019	0.0196
2-3	0.1593	0.0278	0.0019	0.0297
2-4	0.2125	0.0329	0.0019	0.0348
3-3	0.1222	0.0174	0.0019	0.0193
3-4	0.1757	0.0225	0.0019	0.0244
4-4	0.129	0.0126	0.0019	0.0145

Fuel - SUMMER (April-Oct) Eff. 3/1/05

	Zone SL	Zone 1	Zone 2	Zone 3	Zone 4
Zone SL	0.96%	1.06%	1.07%	1.94%	2.56%
Zone 1		1.06%	1.07%	1.94%	2.56%
Zone 2			0.44%	0.87%	1.49%
Zone 3				0.44%	0.83%
Zone 4					0.42%

Fuel - WINTER (Nov-Mar) Eff. 3/1/05

	Zone SL	Zone 1	Zone 2	Zone 3	Zone 4
Zone SL	0.95%	1.28%	1.92%	2.84%	2.90%
Zone 1		1.28%	1.92%	2.84%	2.90%
Zone 2			0.46%	0.92%	0.98%
Zone 3				0.46%	0.65%
Zone 4					0.33%

00376

KeySpan NE Summary of Routes

DTI Routes

DTI South to North

Company	Pipeline	Boston Contract #	Storage	MDQ	
Boston	DTI	100015 FTNN	0	12,978	Discounted Rates, See Rate Tab

DTI South to North

Company	Pipeline	Boston Contract #	Storage MDQ	MDQ	
Colonial	DTI	700049 FTGSS	2,222	2,222	Discounted Rates, See Rate Tab
		Total	**2,222**	**2,222**	
		Total	**2,222**	**15,200**	

Effective 3/1/2005:
SUMMER/WINTER

BASE	4.662
858	0.6677
TCRA	(0.0333)
EPCA Base	0.0119
EPCA Surcharge	(0.0057)
Max	5.3026

Comm	0.0083
ACA	0.0019
858	0.0123
TCRA	0.0007
EPCA Base	0.0008
EPCA Surcharge	(0.0007)
Total Rate	0.0233
Fuel	3.05%

00377

KeySpan NE Summary of Routes

Transco Routes

Transco 6-6

Company	**Pipeline**	**Boston Contract #**	**MDQ**	
Boston	TRANSCO	6425 X-284	6,335	Discounted Rates, See Rate Tab

Transco 6-6

Company	**Pipeline**	**Boston Contract #**	**MDQ**	
Colonial	TRANSCO	6428 FT	577	Discounted Rates, See Rate Tab
		Total	**6,912**	

FT COMMODITY RATES - NO ACA (ADD $.0019) Effective 3/1/2005

Zone	1	2	3	4	5	6
1	0.0019	0.0041	0.0064	0.0158	0.0233	0.0276
2	0.0041	0.0023	0.0046	0.014	0.0215	0.0258
3	0.0064	0.0046	0.0024	0.0118	0.0193	0.0236
4	0.0158	0.014	0.0118	0.0095	0.017	0.0213
5	0.0233	0.0215	0.0193	0.017	0.0076	0.0119
6	0.0276	0.0258	0.0236	0.0213	0.0119	0.0044

Effective 3/1/05

FUEL:	1	2	3	4	4A	5
1	0.30%	0.74%	1.14%	2.86%	2.86%	4.19%
2		0.44%	0.84%	2.56%	2.56%	3.89%
3			0.40%	2.12%	2.12%	3.45%
4				1.72%	1.72%	3.05%
5						1.33%
6						
4A	0.46%	0.46%	0.46%	2.18%	0.46%	3.51%
4B	0.74%	0.74%	0.74%	2.46%	0.74%	3.79%

4A 0.46% backhaul
4B 0.74% backhaul
4b to 4b = 0.28%

00378

IGT Routes

IGT Zone 1 - 1

Company	Pipeline	Boston Contract #	Citygate
Boston	IROQUOIS	420-01 RTS-1	8,645
Colonial	IROQUOIS	480-01 RTS-1	6,070
Essex	IROQUOIS	490-01 RTS-1	2,023
Boston	IROQUOIS		35,000
		Total	**51,738**

RTS Rates (Effective 3/1/2005):

	ZONE 1	ZONE 2	Zone 1 to 2	
Demand				
BASE	$6.8514	$5.8857	$11.5177	
Commodity	$0.0030	$0.0024	$0.0054	
ACA	$0.0019	$0.0019	$0.0019	
Deferred Asset Surc	$0.0005	$0.0003	$0.0008	
Total Rate	$0.0054	$0.0046	$0.0081	
Fuel	0.50%	0.40%	0.90%	Mar-05
	0.40%	0.30%	0.70%	Feb-05
	0.50%	0.40%	0.90%	Jan-05

00379

KeySpan NE Summary of Routes

NFG Routes

NFG

Company	Pipeline	Boston Contract #	Citygate MDQ
Colonial	NFG	N01733 FSS-T	6,203
		Total	**6,203**

NATIONAL FUEL RATES (Effective 3/1/2005)

Reservation		$1.095
Commodity		
Base	$0.0063	
ACA	$0.0019	
Total	$0.0082	
Fuel	2.00%	

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KeySpan NE Summary of Routes

OTHER PIPELINE TRANSPORTATION RATES AND CHARGES:

Company	Pipeline	K# and Rate Schedule	Variable Transport	Variable Transp, SL-4	Variable Transp, 1-4	Var Fuel SL-4 W	Var Fuel SL-4 S	Var Fuel 1-4 W	Var Fuel 1-4 S	Del'v to M2 Fuel	Del'v to M3 Fuel	Variable Fuel-W	Variable Fuel-S	Var. Fuel
Boston	IROQUOIS	420-01 RTS-1	$ 0.0054											0.50%
Boston	TEXAS GAS	T 4855		$ 0.0536	$ 0.0487	2.90%	2.56%	2.90%	2.56%					
Boston	TRANSCO	6425 X-284	$ 0.0290									0.81%	0.81%	
Boston	DTI	100015 FTNN	$ 0.0063									3.05%	3.05%	
Boston	TGP	29610 NET NE	$ 0.0019									1.31%	1.31%	
Boston	TGP	256 FTA	$ 0.0784									2.09%	2.09%	
Boston	TGP	31898 FTA	$ 0.0661											
Boston	TETCO	331009 FTS-7	$ 0.0019							2.00%	2.00%			
Colonial	IROQUOIS	480-01 RTS-1	$ 0.0054											0.50%
Colonial	TRANSCO	6428 FT	$ 0.0290									0.84%	0.84%	
Colonial	DTI	700049 FTGSS	$ 0.0063									3.05%	3.05%	
Colonial	NFG	N01733 FSS-T	$ 0.0082									2.00%	2.00%	
Colonial	TGP	428 NET-NE	$ 0.0019									1.39%	1.39%	
Colonial	TGP	11290 NET-NE	$ 0.0019									1.39%	1.39%	
Colonial	TETCO	331700 FTS-7	$ 0.0019							2.00%	2.00%	2.00%	2.00%	
Colonial	TETCO	331800 FTS-8	$ 0.0019							1.50%	1.50%			
Essex	TGP	2066 FTA	$ 0.0784									2.86%	2.86%	
Essex	TGP	33247 (NET-NE)	$ 0.0019									1.44%	1.44%	
Essex	IROQUOIS	490-01 RTS-1	$ 0.0054											0.50%

00381

Cheryl M. Kimball

56

-------- Original Message --------
Subject: RFP - revision due Monday 9/12
Date: Fri, 09 Sep 2005 13:42:41 -0500
From: Garza, Lisset <LGARZA@Coral-Energy.com>
To: Joe Pradas (E-mail) <jpradas@keyspanenergy.com>

Joe,

Due to recent events in the gulf coast as a result of Hurricane Katrina, Coral would like to inquiry if KeySpan would consider extending the deadline an incremental day to Tuesday 9/13 to all its respondents. Appreciate the consideration.

Lisset Garza

Shell Trading Gas & Power
909 Fannin St., Houston, TX 77010, USA

Tel: +713-767 5470 Fax: +713 265 5470
Email: lgarza@coral-energy.com
Internet: http://www.shell.com

Cheryl M. Kimball

58

-------- Original Message --------
Subject: Mass. RFP - Amended RFP - Deadline Extension - Correction
Date: Fri, 09 Sep 2005 16:50:45 -0400
From: Joseph Pradas <jpradas@keyspanenergy.com>
Organization: KeySpan
To: undisclosed-recipients:;

Resending,

With reference to the recently issued amended Mass. RFP, the deadline for resubmitting the bid materials has been extended to Tuesday, September 13, 2005 at 5:00PM. All other terms and conditions shall remain the same.

Regards,
Joe

-------- Original Message --------
Subject: Tenaska revised response to KeySpan RFP
Date: Mon, 12 Sep 2005 15:01:42 -0500
From: Dudley Sandra <SDudley@TMVGAS.COM>
To: jpradas@keyspanenergy.com
CC: Hall John <JHall@TMVGAS.COM>, Metzler Mike <MMetzler@TMVGAS.COM>, Howe Jon <JHowe@TMVGAS.COM>

Dear Mr. Pradas,

Pursuant to your request for a resubmitted bid for Portfolio Management Services due to the modification of certain KeySpan upstream gas supply contracts, attached are the following electronic versions of the documents that were sent to you via overnight mail on Friday, September 9:

- Cover letter outlining revisions to bid.
- Revised page 6 of Tenaska Marketing Ventures (TMV) proposal document.

Please let me know if you have difficulty opening any of the documents.

The Tenaska team looks forward to working with you and the KeySpan New England team on this Portfolio Management opportunity.

Sandra Dudley
Tenaska Marketing Ventures
11718 Nicholas Street
Omaha, Nebraska 68154
Phone: 402-758-6213
Fax: 402-758-6274
e-mail: sdudley@tmvgas.com <mailto:sdudley@tmvgas.com>

Confidential Documents
Removed

Pgs. 385 - 386

60

-------- Original Message --------
Subject: [Fwd: Refresh Proposal Mass RFP]
Date: Tue, 13 Sep 2005 16:41:18 -0400
From: Richard Kunz <rkunz@keyspanenergy.com>
Organization: KeySpan
To: jpradas <jpradas@keyspanenergy.com>

-------- Original Message --------
Subject: Refresh Proposal Mass RFP
Date: Tue, 13 Sep 2005 14:26:15 -0500
From: "Garza, Lisset" <LGARZA@Coral-Energy.com>
To: "Joe Pradas (E-mail)" <jpradas@keyspanenergy.com>
CC: "Mark Leippert (E-mail)" <mleippert@keyspanenergy.com>, "Rich Kunz (E-mail)" <rkunz@keyspanenergy.com>

Joe,

Shell Trading on behalf of Coral Energy Resources, L. P. (Coral) is pleased to offer KeySpan Portfolio Management and Asset Optimization proposal under the proposed terms and conditions attached hereto.

The attached proposals are not intended to be complete and all-inclusive of the terms and conditions of the related transaction's). These proposals are not an offer, a solicitation of an offer, or a commitment of Coral or any affiliate of Coral. The transaction's) described herein are subject to further review and approval of Coral's executive management and execution of definitive agreements containing all appropriate provisions. As the information contained herein is proprietary, please keep this material confidential.

<> <>

I ccd Rich and Mark in the event you can not open.

Lisset Garza

Shell Trading Gas & Power
909 Fannin St., Houston, TX 77010, USA

Tel: +713-767 5470 Fax: +713 265 5470

Email: lgarza@coral-energy.com
Internet: http://www.shell.com

Confidential Documents Removed

Pgs. 389 - 395

-------- Original Message --------
Subject: RE: Mass. RFP - Amended RFP - Deadline Extension - Correction
Date: Tue, 13 Sep 2005 15:41:47 -0500 From: Brant, Jeffrey R. <Jeff.Brant@conocophillips.com> To: Joseph Pradas <jpradas@keyspanenergy.com> CC: Hussey, Will W <Will.W.Hussey@conocophillips.com>, Jones, Teddy G. <Ted.Jones@conocophillips.com>, Yang, Ling <Ling.Yang@conocophillips.com>, Itkins, Jakovs <Jakovs.Itkins@conocophillips.com>, Walter, R. Neil <R.N.Walter@conocophillips.com>, Taylor, Keith A. <Keith.A.Taylor@conocophillips.com>, Holub, Karen E. <Karen.Holub@conocophillips.com>, Horton, Stan <Stan.Horton@conocophillips.com>, Johnson, Todd G <Todd.G.Johnson@conocophillips.com>, McMurry, Eric J. <Eric.McMurry@conocophillips.com>, Riordan, Tim F. <Tim.F.Riordan@conocophillips.com>, Robert Tara <Robert.A.Tara@conocophillips.com>

Joe,
As you requested, we evaluated your amended RFP, and taking the changes into consideration, ConocoPhillips proposes the following as our latest offer:

ConocoPhillips will guarantee a payment to KeySpan of $ for each year of the agreement with no profit sharing mechanism

-OR-

ConocoPhillips will guarantee a payment to KeySpan of $ for each year of the agreement
And the next $ of value generated will be shared KeySpan ConocoPhillips Any value generated above will be shared KeySpan ConocoPhillips

The above stated proposal is based upon ConocoPhillips initial response inclusive of any assumptions listed in the original proposal on 7/29/05.

If you have any questions or comments regarding our latest proposal please do not hesitate to call me at 315-453-7353.

Regards,

Jeff

-----Original Message-----
From: Joseph Pradas [mailto:jpradas@keyspanenergy.com]
Sent: Friday, September 09, 2005 4:51 PM
Subject: Mass. RFP - Amended RFP - Deadline Extension - Correction

Resending,

With reference to the recently issued amended Mass. RFP, the deadline for resubmitting the bid materials has been extended to Tuesday, September 13, 2005 at 5:00PM. All other terms and conditions shall remain the same.

Regards,
Joe

Cheryl M. Kimball

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-------- Original Message --------
Subject: MLCI bid Response to the KeySpan RFP
Date: Tue, 13 Sep 2005 16:47:01 -0400
From: Beggins, Chris (MLCI) <chris_beggins@ml.com>
To: jpradas@keyspanenergy.com

Dear Joe,

The changes proposed by KeySpan to the supply stack do not affect MLCI's current bid responses to the KeySpan RFP.

Thank you,

Chris Beggins

-------- Original Message --------
Subject: Re: Mass. RFP - Amended RFP - Deadline Extension - Correction
Date: Tue, 13 Sep 2005 16:50:11 -0400 From: Joseph Pradas <jpradas@keyspanenergy.com> Organization: KeySpan To: Brant, Jeffrey R. <Jeff.Brant@conocophillips.com> CC: Hussey, Will W <Will.W.Hussey@conocophillips.com>, Jones, Teddy G. <Ted.Jones@conocophillips.com>, Yang, Ling <Ling.Yang@conocophillips.com>, Itkins, Jakovs <Jakovs.Itkins@conocophillips.com>, Walter, R. Neil <R.N.Walter@conocophillips.com>, Taylor, Keith A. <Keith.A.Taylor@conocophillips.com>, Holub, Karen E. <Karen.Holub@conocophillips.com>, Horton, Stan <Stan.Horton@conocophillips.com>, Johnson, Todd G <Todd.G.Johnson@conocophillips.com>, McMurry, Eric J. <Eric.McMurry@conocophillips.com>, Riordan, Tim F. <Tim.F.Riordan@conocophillips.com>, Robert Tara <Robert.A.Tara@conocophillips.com> References:

<6D4CD3ED785B3F48900DEF21CF36B8E6042E36FB@HOEXMB3.conoco.net>

Thank you for your response. I will contact you when I have further information to share with you.

Regards,
Joe

Brant, Jeffrey R. wrote:

\>Joe,
\> As you requested, we evaluated your amended RFP, and taking the
\>changes into consideration, ConocoPhillips proposes the following as our
\>latest offer:
\>
\>ConocoPhillips will guarantee a payment to KeySpan of $ for each
\>year of the agreement with no profit sharing mechanism
\>
\>-OR-
\>
\>ConocoPhillips will guarantee a payment to KeySpan of $ for each
\>year of the agreement And the next $ of value generated will be
\>shared KeySpan ConocoPhillips Any value generated above
\> will be shared KeySpan ConocoPhillips
\>

>The above stated proposal is based upon ConocoPhillips initial response
>inclusive of any assumptions listed in the original proposal on 7/29/05.
>
>If you have any questions or comments regarding our latest proposal
>please do not hesitate to call me at 315-453-7353.
>
>Regards,
>
>Jeff
>
>
>-----Original Message-----
>From: Joseph Pradas [mailto:jpradas@keyspanenergy.com]
>Sent: Friday, September 09, 2005 4:51 PM
>Subject: Mass. RFP - Amended RFP - Deadline Extension - Correction
>
>
>Resending,
>
>With reference to the recently issued amended Mass. RFP, the deadline for
>resubmitting the bid materials has been extended to Tuesday, September
>13, 2005 at 5:00PM. All other terms and conditions shall remain the same.
>
>Regards,
>Joe
>
>

-------- Original Message --------
Subject: Re: Refresh Proposal Mass RFP
Date: Tue, 13 Sep 2005 16:50:53 -0400
From: Joseph Pradas <jpradas@keyspanenergy.com>
Organization: KeySpan
To: Garza, Lisset <LGARZA@Coral-Energy.com>
References:
<211E0912B6A83B4D958752D9F5EC6F9C0448007D@crlexmb04p.nrg.coral-energy.com>

Thank you for your response. I will contact you when I have further information to share with you.

Regards,
Joe

Garza, Lisset wrote:

>Joe,
>
>Shell Trading on behalf of Coral Energy Resources, L. P. (Coral) is
>pleased to offer KeySpan Portfolio Management and Asset Optimization
>proposal under the proposed terms and conditions attached hereto.
>
>The attached proposals are not intended to be complete and all-inclusive
>of the terms and conditions of the related transaction's). These
>proposals are not an offer, a solicitation of an offer, or a commitment
>of Coral or any affiliate of Coral. The transaction's) described herein
>are subject to further review and approval of Coral's executive
>management and execution of definitive agreements containing all
>appropriate provisions. As the information contained herein is
>proprietary, please keep this material confidential.
>
>
>
>
>I ccd Rich and Mark in the event you can not open.
>
>Lisset Garza
>
>Shell Trading Gas & Power

>909 Fannin St., Houston, TX 77010, USA
>
>Tel: +713-767 5470 Fax: +713 265 5470
>Email: lgarza@coral-energy.com
>Internet: http://www.shell.com
>
>

-------- Original Message --------
Subject: Re: MLCI bid Response to the KeySpan RFP
Date: Tue, 13 Sep 2005 16:51:22 -0400
From: Joseph Pradas <jpradas@keyspanenergy.com>
Organization: KeySpan
To: Beggins, Chris (MLCI) <chris_beggins@ml.com>
References:
<4A3416711F19FC47AC97670BD063BA5108F1680E@mlnyb701mb.amrs.win.ml.com
>

Thank you for your response. I will contact you when I have further information to share with you.

Regards,
Joe

Beggins, Chris (MLCI) wrote:

> Dear Joe,
>
> The changes proposed by KeySpan to the supply stack do not affect
> MLCI's current bid responses to the KeySpan RFP.
>
> Thank you,
>
> Chris Beggins
>
> ---
> If you are not an intended recipient of this e-mail, please notify the
> sender, delete it and do not read, act upon, print, disclose, copy,
> retain or redistribute it. Click here
> <http://www.ml.com/email_terms/>for important additional terms relating
> to this e-mail. http://www.ml.com/email_terms/
> ---

-------- Original Message --------
Subject: Mass RFP - Amended Bids/Responses
Date: Wed, 14 Sep 2005 16:01:43 -0400
From: Joseph Pradas <jpradas@keyspanenergy.com>
Organization: KeySpan
To: Richard A Rapp Jr <rrapp@keyspanenergy.com>, Stephen A Mc Cauley <smccauley@keyspanenergy.com>, Jennifer B Feinstein <jfeinstein@keyspanenergy.com>, Elizabeth Danehy Arangio <earangio@keyspanenergy.com>, Mark J Leippert <mleippert@keyspanenergy.com>, TERRENCE KAIN <tkain@keyspanenergy.com>, John V Vaughn <jvaughn@keyspanenergy.com>, RONALD LUKAS <rlukas@keyspanenergy.com>, Scott D Vonderheide <svonderheide@keyspanenergy.com> CC: Andrew Rea <Andrew.Rea@paconsulting.com>, Jan Koziara <Jan.Koziara@paconsulting.com>

Amended bids/responses were received yesterday from the four bidders who had previously bid on the Mass RFP. The bids, from a pricing perspective, changed little from round one, with the exception of ConocoPhillips' new/additional proposal. Following is a brief recap of the bids:

- Tenaska: lowered its net margin guarantee from $ - ConocoPhillips: lowered its guarantee from $ a second proposal was submitted, with a $ guarantee, sharing at up to and from that point on;
- Coral: increase its guarantee from $ to $ - Merrill: no change from previous bids, $8.0 mil with sharing at and $ with no sharing.

Joe

Cheryl M. Kimball

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-------- Original Message --------
Subject: [Fwd: Mass RFP - Amended Bids/Responses]
Date: Thu, 15 Sep 2005 09:26:00 -0400
From: Richard Rapp <rrapp@keyspanenergy.com>
Organization: KeySpan
To: jpradas@keyspanenergy.com, TERRENCE KAIN <tkain@keyspanenergy.com>, Steve McCauley <smccauley@keyspanenergy.com>, Andrew Rea <Andrew.Rea@paconsulting.com>, "Mark J. Leippert" <mleippert@keyspanenergy.com>

From reading Joe's summary, I conclude that the bid modifications were of no consequence. Tenaska responded as expected. While Coral's response is counter-intuitive, it still falls short. ConocoPhillips new proposal will not be considered as they disregarded the instructions. Merrill's non-modification and the attempts by Coral and ConocoPhilips to sweeten their bids demonstrates that the portfolio has greater value than we may have thought, particularly in this period of high market volatility.

Hence, our task is to firm up our numbers and confirm that it is financially beneficial to in-source the portfolio, demonstrate that we can manage the mark-to-market volatility within acceptable limits, and build a foundation for greater success in the out years. We need to do that quickly. Terry committed to the RMC that he would complete his analysis by the beginning of next week. We should all proceed on that timeline.

Joe - set up a meeting for Wednesday the 21st to discuss the results and prepare for our final presentation on 10/3.

-------- Original Message --------
Subject: Mass RFP - Amended Bids/Responses
Date: Wed, 14 Sep 2005 16:01:43 -0400
From: Joseph Pradas <jpradas@keyspanenergy.com>
Organization: KeySpan
To: Richard A Rapp Jr <rrapp@keyspanenergy.com>, Stephen A Mc Cauley <smccauley@keyspanenergy.com>, Jennifer B Feinstein <jfeinstein@keyspanenergy.com>, Elizabeth Danehy Arangio <earangio@keyspanenergy.com>, Mark J Leippert <mleippert@keyspanenergy.com>, TERRENCE KAIN <tkain@keyspanenergy.com>, John V Vaughn <jvaughn@keyspanenergy.com>, RONALD LUKAS <rlukas@keyspanenergy.com>, Scott D Vonderheide <svonderheide@keyspanenergy.com> CC: Andrew Rea <Andrew.Rea@paconsulting.com>, Jan Koziara <Jan.Koziara@paconsulting.com>

Amended bids/responses were received yesterday from the four bidders who had previously bid on the Mass RFP. The bids, from a pricing perspective, changed little from round one, with the exception of ConocoPhillips' new/additional proposal. Following is a brief recap of the bids:

- Tenaska: lowered its net margin guarantee from $
ConocoPhillips: lowered its guarantee from $ a second proposal was submitted, with a $ guarantee, sharing at
%(KSE)/ (ConocoPhillips) up to and from that point on;
- Coral: increase its guarantee from , - Merrill: no change from previous bids, with sharing at and with no sharing.

Joe

-------- Original Message --------
Subject: Mass. Gas Portfolio - Credit Status of Shortlisted Bidders
Date: Mon, 05 Dec 2005 17:35:21 -0500
From: Joseph Pradas <jpradas@keyspanenergy.com>
Organization: KeySpan
To: James G Holodak Jr <jholodak@keyspanenergy.com>, CECIL BROOKS <cbrooks@keyspanenergy.com>
CC: Richard Rapp <rrapp@keyspanenergy.com>, Scott D Vonderheide <svonderheide@keyspanenergy.com>

Jim/Cecil,

With some time having passed since we last looked at the credit status of the bidders re: management of the Mass. gas portfolio, I think that it would be worthwhile for us to revisit their credit status, particularly in the context of what has happened in the energy sector over the last few months..

With Merrill Lynch and ConocoPhillips being the two bidders which we've shortlisted, they would be the only ones that we would want to follow-up, on at this time. If at all possible I would need the info by the end of this week. Please advise.

Thanks.

Joe

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-------- Original Message --------
Subject: KeySpan's Mass. RFP Process - Bid Responses
Date: Thu, 02 Feb 2006 09:44:01 -0500
From: Joseph Pradas <jpradas@keyspanenergy.com>
Organization: KeySpan
CC: Richard A Rapp Jr <rrapp@keyspanenergy.com>

Dear Bidder,

KeySpan would like to thank you for your bid submittals in response to KeySpan's Request for Proposal ("RFP") to provide management services for its Massachusetts gas portfolio, dated June 17, 2005, and the subsequently amended RFP, dated September 7, 2005.

KeySpan completed its careful and thorough evaluation of all of the proposals received from the various bidders. Based on our analysis of the bids, we elected to proceed to contract with one of the other bidders.

On January 26, 2006, KeySpan successfully completed its negotiations with the selected bidder and has executed a contract with said party.

We appreciate the time and effort that you and your organization dedicated to responding to our requests, including the several Q&A sessions. Thank you for your participation in the RFP process and we look forward to exploring other business opportunities with you sometime in the future.

Regards,
Joe Pradas
Director Strategic Execution and Compliance

Cheryl M. Kimball

Below is an e-mail pursuant to AG's Request.

-------- Original Message --------
Subject: Letter to Bidders Not Shortlisted
Date: Tue, 25 Oct 2005 17:02:33 -0400
From: Joseph Pradas <jpradas@keyspanenergy.com>
Organization: KeySpan
To: Richard A Rapp Jr <rrapp@keyspanenergy.com>

Rich,

Attached is a draft letter to the bidders who were not shortlisted - Tenaska & Coral.

My plan would be to call them first and follow-up with a letter.

Joe

______________, 2005

Dear Bidder,

Boston Gas Company, Colonial Gas Company, and Essex Gas Company, each d/b/a KeySpan Energy Delivery New England by their agent KeySpan Corporate Services LLC ("KeySpan") thank you for your bid submittals in response to KeySpan's June 17, 2005 Request for Proposal to provide gas portfolio management services to KeySpan ("RFP") and subsequent amended RFP, dated September 7, 2005.

KeySpan has carefully evaluated each of the proposals received in response to the RFP as revised, and based upon that evaluation, KeySpan has determined that it will not award your firm a contract to provide such services.

We appreciate the time and effort which you dedicated to responding to our requests and we wish to thank you for your participation in the RFP process.

Regards,

Joseph G. Pradas
Director Strategic Execution and Compliance

Cheryl M. Kimball

This is the "real" e-mail # 37. I inadvertantly sent # 25 twice, once as #25 and then a second time as #37. Sorry for the confusion.

Once again this is the real #37. #25 had to do with the status of the RFP process.

Joe

-------- Original Message --------
Subject: [Fwd: Mass. RFP - Questions & Responses - July 8, 2005]
Date: Fri, 03 Mar 2006 11:52:11 -0500
From: Joseph Pradas <jpradas@keyspanenergy.com>
Organization: KeySpan
To: Mass. AG <Mass. AG>

37

-------- Original Message --------
Subject: Mass. RFP - Questions & Responses - July 8, 2005
Date: Fri, 08 Jul 2005 15:01:37 -0400
From: Joseph Pradas <jpradas@keyspanenergy.com>
Organization: KeySpan

The RFP for Management Services for KeySpan's Massachusetts Gas Portfolio, dated June 17, 2005, provides for all questions submitted by potential bidders, as well as KeySpan's responses to said questions, to be shared with all potential bidders who have executed both a Confidentiality Agreement and a Notice of Intent to Respond Form.

Attached is the second set of questions and responses, dated July 8, 2005.

Regards,
Joe

Massachusetts RFP for Portfolio Management Services
Bidders Questions & Responses

Response to Proposal Clarification Questions (7/08/05)

1. Is the Buyer expecting the Seller to sign a Parental Guarantee? Or is this a negotiated item depending on the company?

   Response:
   Section 3.4.5 of the Agreement states that "From and after the Effective date, Seller shall cause its parent, if any, to execute and maintain in effect throughout the Term of this Agreement a valid and binding guaranty of Seller's obligation under this Agreement…"

   If the Seller is rated at least investment grade by Standard & Poor's ("S&P") and Moody's Investors Service ("Moody's")*, and if the Buyer deems the Seller creditworthy based on, but not limited to, an evaluation of the Seller's results of operations, financial position, and liquidity, then a guarantee may not be required, at the Buyer's sole discretion.

   However, if the Seller is an unrated subsidiary or division of a parent that is rated at least investment grade by S&P and Moody's*, and if an evaluation of the parent utilizing the methodology mentioned above indicates that it is creditworthy, then the parent must provide to the Buyer a guarantee for all obligations of the Seller to the Buyer.

   Bidders may suggest alternative forms of security for KeySpan's consideration but unless such alternative is specifically accepted then KeySpan will expect a parental guarantee, as outlined above.

   **In the case of a split rating by S&P and Moody's, the Buyer will use the lower rating.*

2. Under the Price Section, the Demand Charges "Reasonably Incurred" by the Portfolio Manager will be reimbursed - under what circumstances would the Buyer refuse to reimburse the Seller for Demand Charges incurred on the Buyer's assets released to the Seller?

   Response:
   The Buyer will reimburse Seller for all demand charges associated with the Buyer's contracts released to the Seller as referenced in RFP Exhibit D-1. The Buyer will not reimburse Seller for any demand charges for resources contracted for by the Seller outside of these resources, subject to Sect. 4.3.3 of the Agreement related to Discounted Contracts.

3. Is there any difference between Winter and Summer Price Tiers?

Response:
As indicated in Footnote #5 of RFP Exhibit E, "A portion of the Domestic Gulf Coast capacity will be designated for storage refill during the April – October period."

4. Is the Seller responsible for releasing capacity to marketers under KeySpan's Unbundling Program?

Response:
No. All transactions required by the KeySpan Gas Unbundling Program will be the responsibility of KeySpan.

5. Will the Buyer release capacity to the Seller each month for all pipeline storage and transportation contracts or only those contracts included in KeySpan's Unbundling Program?

Response:
Sect. 5.1 of the Agreement states that "Each month, Buyer shall release, assign or otherwise provide agency rights to the specified transportation and underground storage contracts and related quantities as listed in Appendix 1 of the Agreement, with the exception of the Company Managed Assets. Such contracts are subject to recall....and will be adjusted each Month in accordance with Buyer's Unbundling Program requirements."

6. Does the list of contracts included with this RFP include or exclude capacity released under KeySpan's Unbundling Program? If included please provide the currently released volumes for each contract and potential range of releases for each contract.

Response:

The MDQs of the contracts listed in RFP Exhibit E and Appendix 1 of the RFP package are the contractual MDQs prior to release under KeySpan's Unbundling Program. Please refer to Response #18 of this document for the July 2005 released capacity. Said figure divided by the Company's MDQ would represent the percent of all resources released to marketers. The potential range of releases is 0%-100%.

7. Please identify all transportation contracts with discounted rates and provide the appropriate demand, commodity and fuel charges for these contracts.

Response:
These contracts are identified on the seventh, eighth, tenth, eleventh, twelfth and thirteenth pages of RFP Exhibit D-2. In addition, please see attached revised RFP Exhibit D-2 TGP-MDQ and Spec. Rate schedules (Note: Revisions, dated 7/8/05, apply to shaded areas of schedules).

8. Many transportation contracts have expiration dates that occur during the proposed term of the RFP. For these contracts please identify if they will be renewed, at what quantity level they will be renewed & if not renewed how will supply be sourced or what asset will be used to replace the expired contract?

Response:
For any existing contract whose expiration date occurs within the term of the Agreement, the Company will evaluate the options of renewing said contract or replacing it with one of similar MDQ and pricing terms.

9. Many of the company managed supplies expire during the proposed term of the RFP. Will the successful Bidder be required to replace these supplies as they expire? If so, on what terms?

Response:
For any existing contract whose expiration date occurs within the term of the Agreement, the Company anticipates submitting an RFP and the Seller will have the opportunity to bid on the replacement supply.

10. Can the Buyer provide a reasonable estimate of Baseload volumes, by month, for the proposed term of the transaction?

Response:
The Company lists below its estimated baseload elections made for the upcoming winter, as a guideline.

Boston/Essex/Colonial
Estimated Baseload Election

Volume per Day (MMBtu)		November	December	January	February	March
	Boston	3,000	23,000	50,000	40,000	11,000
TGP	Colonial	3,000	17,000	28,000	18,000	11,000
	Essex	2,000	15,000	15,000	15,000	8,000
TGP Sub-total		8,000	55,000	93,000	73,000	30,000
	Boston	55,000	95,000	125,000	105,000	80,000
AGT	Colonial	20,000	20,000	25,000	20,000	15,000
AGT Sub-total		75,000	115,000	150,000	125,000	95,000
Grand Total		83,000	170,000	243,000	198,000	125,000

11. Sec. 5.1 (c) please further define … "Seller expressly acknowledges that any recall of underground storage contracts shall result in the conveyance of title to the Paper Storage Balance to Buyer."

Response:
The Buyer requires that when a recall of storage capacity is effected title to a corresponding quantity of commodity natural gas will also be returned to the Buyer.

12. Sec. 5.2.2 what are the limits of the OBAs on TGP and AGT?

Response:
The Company's Operational Balancing Agreements with Tennessee and Algonquin allow the Company the flexibility to balance gas deliveries across all KeySpan Massachusetts gate stations on each given pipeline. However, pursuant to Sect. 5.2.2 of the Agreement, KeySpan, not the Seller, will be responsible for managing the OBA.

13. Would KeySpan provide samples of the monthly and daily reports desired, particularly the "Daily Allocation" report?

Response:
KeySpan does not intend to provide samples of reports. Bidders are expected to provide the Buyer with the format and content of monthly and daily reports that they are willing and able to offer. Said reports shall, however, include detailed information regarding all transactions relating to the Assets. See Section 10.2 of the Agreement.

14. Does Buyer have any discounted transport that would revert to maximum rates when moved out of path? If so, please provide relevant details.

Response:
Please refer to Response #7 of this document. It should be noted, however, that all discounted transportation contracts would revert to maximum rate if moved out of the path.

15. Are there any receipt/delivery point restrictions on any of the transportation contracts? If so, please provide relevant details.

Response:
Each individual contract has both primary receipt and delivery points assigned to the contract. The Company is not prepared at this time to provide a detailed listing of all receipt and delivery points.

16. Does Buyer have any off-system obligations or obligations beyond its load?

Response:
The Company has a small interruptible sales load for which it purchases gas in the off-peak season. While the Seller may be solicited for the additional volume, it is not a firm obligation to the Seller.

17. Please describe any operational balancing agreements Buyer has in place.

Response:
Please refer to Response #12 of this document.

18. When will Buyer notify Portfolio Manager of the monthly capacity recalls and reassignments under the unbundling program? How much has Buyer's MDQ under the Portfolio Management Arrangement changed on a monthly basis over the past two years as a result of Buyer's gas unbundling program?

Response:
Under the Agreement, the Company provides monthly capacity volumes to the Seller no later than 5 business days prior to the 1st of each month. Of the total MDQ listed in RFP Exhibit E, below is a table with 21 months of history of capacity released under the Company's Unbundling Program.

Month	Released Capacity (Dth/day)
Nov-03	67,800
Dec-03	70,700
Jan-04	76,300
Feb-04	78,900
Mar-04	79,100
Apr-04	80,500
May-04	79,200
Jun-04	78,800
Jul-04	77,800
Aug-04	78,100
Sep-04	77,900
Oct-04	77,800
Nov-04	78,400
Dec-04	79,900
Jan-05	82,500
Feb-05	84,700
Mar-05	85,600
Apr-05	86,000
May-05	86,000
Jun-05	85,800
Jul-05	85,900

19. How important is the option for KeySpan to extend the term of the arrangement for up to two additional one-year periods? Under what conditions would KeySpan extend the term of the arrangement?

Response:
As stated in Sect. 6.1 of the Agreement, "the Parties acknowledge that Buyer may extend the Initial term by up to two additional one-year periods.....upon substantially the same terms and conditions as applicable to the Initial Term. Buyer shall notify Seller on or before January 1, 2008 whether it exercises its option to extend the Term up to and including March 31, 2009. Buyer shall notify Seller on or before January 1, 2009 whether it exercises its option to extend the Term up to and including March 31, 2010."

20. Will the Portfolio Manager be allowed to optimize around Baseload (monthly) supply purchased by Buyer?

Response:
The Seller should be prepared on any given day to deliver up to the Buyer's MDQ as referenced in RFP Exhibit E. The Company expects that the Seller will perform such functions as portfolio optimization on behalf of the Buyer and/or Seller.

21. Will "Company Managed Assets" be available for Portfolio Manager to optimize?

Response:
Under the Agreement, there is no provision for releasing "Company Managed Assets" to the Seller; however, from time to time, the Company may offer such assets to the Seller for optimization at the Company's discretion.

22. Will Buyer partition the deal by utility (i.e. Colonial Gas only)?

Response:
No partitioning is being considered.

23. The Boston Gas schematic infers that the load is interchangeable between Tennessee and Algonquin. What percentage is interchangeable? Are there any limitations? Will the Portfolio Manager be allowed to decide whether to use Tennessee or Algonquin to serve a given portion of the load?

Response:
The Company will nominate its daily requirements by pipeline and no interchangeability should be inferred by the Bidder.

24. For the Canadian Baseload Tier of gas supply and transport, it appears that Buyer has long term gas supply contracts to satisfy this tier of gas, and that Buyer will continue to manage the transportation necessary for this gas supply. What role, if any, does Buyer envision for Seller with respect to this portion of supply and transportation?

Response:
As indicated in Sect. 1.8 of the Agreement, "Buyer is responsible for nominating and scheduling those volumes reflected in Appendix 1 and identified as Company managed assets. However, Buyer may choose to request that Seller nominate and schedule these volumes, by giving notice to seller five days prior to the first of a month." With regard to these supplies, please refer to Responses #9 and #21of this document.

25. What volume (in Bcf) of fixed price transactions does Buyer typically trigger with its Portfolio Manager during a given contract year?

Response:
Historically, the Company has not opted for any fixed price transactions under its current or previous asset management arrangements. Under Section 4.1.2 of the Agreement, the Company wishes to reserve this right.

26. What quantity of gas supply does Buyer typically purchase from its Portfolio Manager during any given contract year?

Response:
As a normalized average, the Company anticipates purchasing approximately 70 percent of its annual supply requirements under the Agreement.

27. For the summer underground storage refill, does Buyer assume gas is injected ratably during the April through October period? Does Buyer retain any rights under the Portfolio Management Arrangement to vary the injection quantities by month during the summer?

Response:
Under the Agreement, the storage WACOG is computed based on a ratable injection over the April through October period. Please refer to the definition of "Summer Index" in Section 1.35 of the Agreement . The Company intends to notify the Seller, prior to March 31st of a contract year, its refill pricing plan. The Company makes no assumptions on the actual rate of refill of physical gas._It should be noted, however, that strict adherence to Sect. 4.6 of the Agreement - Peak Period Storage Inventory Levels, is required. Careful consideration needs to be given to storage field and injection rate protocols (see Sect. 5.1 of the Agreement).]

28. Since the Summer Index is computed at the end of the summer injection period, how does Buyer intend to pay for gas injected into storage during the summer? Will Buyer pay Seller for gas injected into storage at the end of the summer, or will Buyer pay Seller for gas injected into storage on a ratable basis during each month of the summer?

Response:
Payments will be made by the Buyer as per Sect. 4.1.1 of the Agreement. This Section states that "Volumes up to the underground storage refill volumes described in Section 4.4 shall be priced equal to the Storage WACOG plus applicable Variable Charges plus carry costs equal to LIBOR plus 5 basis points for the period such gas was carried in storage." The Company will pay for storage supply at the time of withdrawal.

In addition, as stated in Sect. 5.1.1 of the Agreement, "at the end of the Term of this Agreement, if Seller's Ending Actual Underground Storage Balance is greater than Buyer's Paper Storage Balance, Buyer will pay Seller for the difference at the simple average of the April through October period following such expiration or termination first-of-the-month receipt point indices for the pipelines (Tennessee and Texas Eastern) used to inject supply into Buyer's storage contracts, plus all applicable variable charges."

29. The magnitude of the "Initial Underground Actual Storage Balance" that will exist on April 1, 2006 could have a material impact on the value of the Portfolio Management arrangement. What factors will influence this amount? Are there any existing contractual requirements that will influence this amount?

Response:
The amount of gas remaining in storage on April 1, 2006 is an unknown and will depend on many factors including weather and the opportunities embedded in KeySpan's current Portfolio Management Agreement.

30. Under what type of circumstances would Buyer revise its asset listing?

Response:
The Company retains the right to add assets to its portfolio to address the needs of its customers, as well as performing renewal/replacement decisions at the time of expiration of contracts within its portfolio during the term of the Agreement. Please refer to Response # 8 of this document.

31. What method will be used to adjust transportation fees as capacity is added/deleted?

Response:
Please refer to Section 4.3.1 of the Agreement. If changes are made to the portfolio of resources assigned to the Seller, the Company will adjust transportation fees accordingly.

32. If a portion of the value in Seller's bid is derived from a pricing relationship using NYMEX or Basis Hedges, is it acceptable to have Seller's firm offer be subject to adjustment based on changes in market conditions for such NYMEX and Basis Hedges?

Response:
Section II.B.3 of the RFP states that the bids must be firm, with the price quote and other terms firm until November 1, 2005. It is up to the bidder to assess the risk of having their bid disqualified as a result of submitting a non-conforming bid.

33. Will Buyer accept a bid for the management of its assets without requiring the Portfolio Manger to sell it supply?

Response:
The RFP anticipates that the successful bidder will both manage the assets and provide the supply required to meet the Company's firm sendout requirements associated with such assets. It is up to the bidder to assess the risk of having their bid disqualified as a result of submitting a non-conforming bid.

34. Please verify that all capacities provided in the exhibits are net capacity positions (i.e. total capacity less that dedicated for unbundled customers).

Response:
Please refer to Response # 6 of this document.

35. In Section V. of the RFP under "Gas Supply Obligations" it reads that, "upon hitting a storage ratchet based on Buyer's Paper Storage Balance, Seller shall remain obligated to sell and deliver up to Buyer's MDQ…" Please clarify what this means.

Response:
Upon hitting a storage ratchet, the Company is not obligated to purchase the difference in volume between the storage MDQ before and after ratchet; however, the Seller should stand ready to provide these volumes if nominated by the Company at a mutually-agreed upon price.

36. Please provide historical load data by gate. Also please specify (by gate) the amount served by third parties.

Response:
The Company has already provided detailed prospective data (RFP Exhibit F). The Company is not_prepared at this time to provide the detailed historical data requested.

37. Please outline any tax obligations.

Response:
As per Sect. 7.3 of the Agreement, "Buyer shall reimburse seller for any taxes, including ad valorem taxes, fees or charges, other than income tax, which are levied by a governmental or regulatory body on the Gas sold under this Agreement."

38. How large and how dynamic is the unbundling program? Does it change the MDQ AMA has each month? Is their different volumes released each month.

Response:
Please refer to Response #18 of this document.

39. Unbundling program: Any history of the market share?

Response:
Please refer to Response #18 of this document.

40. Unbundling program: Are assets released to marketers across the board pro rata or is there a subset of assets that get assigned?

Response:
The assets released to marketers under the Company's Unbundling Program are released on a pro rata slice-of-system basis determined by the pipeline serving a given marketer's given customer.

41. Explain how the unbundling program can affect the MDQ daily?

Response:
The Company's Unbundling Program releases capacity to marketers monthly. The releases are adjusted monthly (please refer to Response #18 of this document). Within a given month, capacity available to the Seller will not change.

42. How are the MDQs submitted?

Response:
Please refer to Response #18 of this document. The MDQs available to the Seller are verified via the pipeline electronic bulletin boards and reconciled with Company personnel prior to the first of the month.

43. Is the MDQ in Nov adjusted in the month to match the change in Transportation rights?

Response:
The MDQ in the month of November is reflected in RFP Exhibit E.

44. Does that make two tier prices for November for the Domestic Baseload/Swing Tier? (see Qt. # 43)?

Response:
Please refer to Responses #43 and #10 of this document. In the month of November, The Company will have nominated some amount of domestic long haul as base load Supply pricing tier; the remainder of its domestic long haul capacity which the Buyer Nominates, will then be priced as swing pricing tier.

45. Are the MDQ requirements only to the city gate or does Buyer have the right to request MDQ deliveries to other locations?

Response:
The MDQ requirements are only to the citygate

46. Is Seller allowed to deliver behind the city gate? To end users or to other marketers/shippers?

Response:
In accordance with Item 18 of RFP Exhibit B, to the extent that a bidder sells or manages gas or electric commodity or services, or intends to sell or manage gas or electric commodity or services behind the Company's city gate, the Company expects that bidder to disclose such information which will then be specifically evaluated based on the criteria set forth in RFP Exhibit G.

47. Will buyer consider paying for all summer storage injections in the summer as opposed to in the winter and paying interest?

Response:
It is up to the bidders to assess the risk of having their bid disqualified as a result of submitting a non-conforming bid.

48. Is the summer index strictly a ratable Apr-Oct plan per each pipe/storage facility or weighted average over all facilities? If it is a ratable plan, is this somehow adjusted for No-notice activity (either w/ds or injections)?

Response:
The Company assumes that the pricing for refill of each storage field will be on a ratable basis, based on the zone entitlements of the specific pipeline filling each field. No-notice activity during either the injection or withdrawal period should be covered under the appropriate rate schedules paid by the Company.

49. Does title to storage gas transfer when put into ground or delivered to citygate? Please clarify "delivery points" definition.

Response:
It is expected that Title to the Initial Underground Storage Balance transfers to Seller on the effective date of the agreement (Sect. 5.12 of the Agreement). Thereafter, subject to any recall or termination provisions of the Agreement that may require otherwise, title to storage gas transfers to Buyer when delivered to the Delivery Point(s). (Sect. 7.1 of the Agreement). The definition of Delivery Points can be found at Sect. 1.7 of the Agreement and are as shown on Appendix 1 of the Agreement.

50. Can you clarify Ending storage balance being priced at the average over subsequent Apr-Oct pricing rather than market price?

Response:
Per Sect. 5.1.1, "if Seller's Ending Actual Underground Storage Balance is greater than Buyer's Paper Storage Balance, Buyer will pay Seller for the difference at the simple average of the April through October period following such expiration or termination…" This storage pricing provision is intended to replicate the pricing upon which the Portfolio Manager will be making its decisions on whether to make sales out of storage, i.e., such decisions will be based upon the replacement cost of storage.

51. Which TETCO and TENN long haul assets are assigned to the underground storage refill?

Response:
In RFP Exhibit E, a portion of each pipeline's Domestic Baseload/Swing Tiers will be assigned to storage refill on a pro rata basis.

52. Is the Nov1 logical fill target 95% or 100%

Response:
Per Sect. 4.6 of the Agreement, "Seller will refill Buyer's storage capacity to a minimum of 95% full prior to November 1st of each contract year during the term."

53. FSS-1 shows 6154 MDWQ for all 4 inventory levels. Is there only one (or no) ratchet?

Response:
There is only the one MDWQ value for the FSS-1 service.

54. Is Seller not exposed to any No-Notice storage costs or allocations?

Response:
Please refer to Response # 48 of this document.Variable charges associated with portfolio optimization would be the responsibility of the Seller. The company expects to pay in accordance with the variable charges listed in RFP Exhibit E.

55. How are No-notice injections/withdrawals handled?

Response:
No-notice injections/withdrawals are handled in accordance with the appropriate pipeline nomination deadlines.

56. Will all contracts be released or assigned on a monthly basis due to fluctuating contract MDQ's?

Response:
Please refer Response #18 of this document.

57. How much fixed price triggering has Keyspan historically done? Is there any hedging program?

Response:
KeySpan has had a portfolio hedging program in effect for its three Massachusetts LDCs since November 2003 to address price volatility for their customers. In addition, please refer to Response #25 of this document.

58. Does Keyspan have the right to make third party sales at any time?

Response:
Buyer reserves the right to make third party sales with Company Managed Assets

59. Will KeySpan consider making the option to extend the term past the initial 2 years a mutually agreeable option between Buyer and Seller?

Response:
It is up to the bidder to assess the risk of having their bid disqualified as a result of submitting a non-conforming bid.

60. If an intra-day change by Buyer requires Seller to increase or decrease its baseload or swing deliveries, will Buyer keep Seller whole if Seller is required to purchase additional intra-day gas or sell-off intra-day gas?

Response:
As per Sect. 4.1.1 of the Agreement, there is a keep whole provision for baseload deliveries. There is no keep whole provision for swing deliveries.

61. Can you provide your historical load and temperature data so that we can do our own estimate?

Response:
The Company has already provided detailed prospective data. The Company is not prepared at this time to provide the detailed historical data requested.

62. Is there interruptible load history separate from the total load history provided? Is the load history the total send out (including both firm and interruptible customers)?

Response:
The Company is not prepared at this time to supply interruptible load history. Please refer to Response #16 of this document. The load forecast provided in RFP Exhibit F-1 is for all firm customers using utility capacity (both sales customers and those associated with the Company's Unbundling Program); it does not include interruptible sales or transportation.

63. How should we treat Tennessee ConneXion project in the supply stack?

Response:
As currently envisioned, the additional capacity from the Tennessee ConneXion Project would be added to the Company's Domestic Baseload/Swing Tier. It should be noted, that the Buyer was recently awarded 12,700 MMBtu/day of additional Tennessee ConneXion capacity, bringing the total MDQ to 112,700 MMBtu/day, subject to regulatory approval. The anticipated service date is November 1, 2007.

64. Can you explain domestic baseload/swing pricing tier? Is it a WACOG of the prices or do volumes fill up the pricing stack that the buyer will give us (i.e. least cost dispatch)?

Response:
For either baseload or swing nominations made for the Domestic Baseload/Swing Tier, the tier pricing will be based on the weighted-average of the components of the tier.

65. Peak Period Domestic Baseload Index/Peak Period Domestic Swing Index - Can you provide us a historical schedule of Baseload and Swing Nominated volumes?

Response:
Please refer to Response #10 of this document for data for estimated baseload volumes.

66. What is the citygate flexibility for supplier to deliver Tenn. vs. AGT? Is there a history or forecast of that split out on the MDQ requirements and on top of that what is the physical flexibility? Is there a rule of thumb about this physical flexibility by temperature or at least by month?

Response:
Please refer to Response #23 of this document.

67. Is there some portion of the storage injection or withdrawal rights that have to be left open for balancing the system?

Response:
This would be at the Seller's discretion. The Seller will remain obligated to deliver up to the Buyer's MDQ as listed in Exhibit E.

68. Third Party Transporter volume impact: Do third party transport deliveries to the city gate effect either the MDQ or the physical flexibility to deliver on AGL vs. Tenn.?

Response:
If there are any effects, the Buyer's MDQ nominations will account for them.

69. Which contracts are the discounted contracts? Can we see the special rates on those contracts?

Response:
Please refer to Response #7 of this document.

70. Does an Asset Management Draft/Sample Agreement exist that KeySpan could provide for legal review?

Response:
Please refer to RFP Exhibit # C.

71. Will a Precedent Agreement be signed between the KeySpan and the Seller, while the final Asset Management Agreement is negotiated?

Response:
No. It is expected that a binding asset management agreement in form and substance substantially similar to the Agreement (RFP Exhibit C) will be executed by the Buyer and the successful bidder, subject to review and approval of the Massachusetts Department of Telecommunications and Energy.

72. Upon assignment or release of transport/storage assets to winning bidder, shall all agreements be subject to bulletin board bidding?

Response:
Please refer to Sect. 2.1 of the Agreement. Assets available for management by the successful bidder fall into three broad categories: Capacity released to the asset manager at max rate; Capacity for which the asset manager will be designated as the agent of the Company; and, Company Managed supplies, at Buyer's discretion. All transactions will be accomplished in a manner consistent with FERC rules and regulations. It is not expected that the transactions will be subject to posting.

73. Will KeySpan be providing "back up" credit assurances to the pipeline entities or will Seller be required to provide all additional credit assurances if deemed necessary by those said entities?

Response:
No. Bidders are expected to meet all applicable pipeline credit worthiness standards necessary to perform the obligations required by the Agreement.

74. Are all upstream supply agreements assignable based on creditworthiness, and good industry standing? In the event, an entity objects to assigning their agreement to winning bidder, what will be the recourse?

Response:
In accordance with RFP Exhibit D-1, all upstream supply agreements fall into the category of Company Supply agreements, and therefore, will not be assigned.

75. If a bidder requires Board and Senior Management approvals for entering into such a term agreement, are there allowances for a firm bid to be subject to overall Management review? Would that disallow the bid from consideration?

Response:
Section II.B.3 of the RFP states that the bids must be firm, with the price quote and other terms firm until November 1, 2005. It is up to the bidder to assess the risk of having their bid disqualified as a result of submitting a non-conforming bid.

76. With regard to contract extensions, what will be the notification period provided by KeySpan to winning bidder? Will the extensions include pricing tier revisions? Shall the extensions require additional contract language or will that be part of the initial agreement - State, Federal, Others?

Response:
Please see Response #19 of this document.

77. Is the Asset Management Agreement subject to what regulatory reviews?

Response:
Please refer to Response #71 of this document. As described in Sect. 11.4 of the Agreement, "Seller acknowledges that this Agreement is conditional upon the review and approval of the DTE prior to becoming effective." For additional requirements, please see Sect.11 of the Agreement.

78. Is the Asset Management transaction subject to annual review by these same governmental bodies?

Response:
The Company does not anticipate an annual review following the initial approval by the Massachusetts Department of Telecommunications and Energy. However, the Company cannot predict what review requirements may be imposed upon it by regulators. Please refer to Sect. 11 of the Agreement for additional information.

79. What is the process in "unwinding" the transaction should one of the regulatory reviews deem the transaction between KeySpan and bidder non-prudent to rate payers?

Response:
Please refer to Sect. 11.3 and Sect. 6.4 through 6.6 of the Agreement for details on the unwinding process under the specified circumstances.

80. Should a management fee payable to KeySpan be proposed, does KeySpan require that payment to be upfront, or can the payments be on a monthly basis e.g. deductible from the demand charges/transport fees/storage fees due bidder from KeySpan?

Response:
Per Sect. 4.2 of the Agreement, proposed pricing to be provided by bidders.

81. Pertaining to a "sharing" mechanism, those monies owed to KeySpan from bidder be deducted from those fees owed to bidder, or shall separate invoicing occur and the funds be netted out?

Response:
It is left to the discretion of the bidders to present their proposals. Please refer to Sect. 10 of the Agreement as to the types of netting of funds envisioned by the Company.

82. Can KeySpan provide examples and/or documentation of the following;
- Tier Pricing (least cost dispatch)
- Paper Storage Accounting
- Historical Storage Usage
- Historical usage pattern
- Nomination forms
- Outstanding Pipeline/Storage Imbalances
- LNG usage pattern

Response:
The Company is not prepared to provide these items at this time.

83. Other than "slice of service" reduction for retail providers, what agreements does KeySpan anticipate not renewing with either transport or storage providers? Dependent upon the forecasted volume of usage and assets available, the value assigned to this transaction may be adversely affected should agreements expire.

Response:
Please refer Response #8 of this document.

84. How will "sharing" mechanism transactions be accounted for? Documented? Agreed upon (e.g. market intelligence/market information sharing)?

Response:
It is left to the discretion of the bidders to present their proposals.

85. Will the current asset manager be permitted to assist KeySpan in reviewing the bids associated in this RFP?

Response:
No.

86. How many personnel are expected from each entity to manage this transaction? Front office, mid office, back office?

Response:
It is left to the discretion of the bidders to present their proposals.

87. Does KeySpan require bidder's employees to be located in their offices? If so, how many? From what area?

Response:
This is not a specific requirement of the RFP. Please see Response #86 of this document.

88. Does KeySpan require any of its personnel to reside in bidder's office location?

Response:
This is not a specific requirement of the RFP. Please see Response #86 of this document.

89. How will expenses for personnel be handled? Should expected costs for travel, etc. be included in the bid or will there be an exception/process to follow agreed upon between both companies?

Response:
Seller is responsible for all of the costs associated with providing the Portfolio Management Services being solicited.

90. In modeling, should the Portfolio Manager assume baseload to citygate for all KeySpan managed capacity?

Response:
In accordance with the pricing tiers found in Exhibit E, the Canadian Baseload Tier is assumed to be dispatched first. In addition, please refer to Sect. 4.1.1 of the Agreement.

91. Please provide daily historical utilization of storage and the pipes

Response:
The Company has already provided detailed prospective data. The Company is not prepared at this time to provide the detailed historical data requested.

FIRST SET OF INFORMATION REQUESTS OF
THE ATTORNEY GENERAL
TO KEYSPAN ENERGY DELIVERY NEW ENGLAND

D.T.E. 06-9

Redacted Attachment

Dated: March 9, 2006
Respondent: Elizabeth D. Arangio

Information Request AG 1-2

Q. Please state whether KeySpan sent the evaluation criteria and an explanation of the criteria to all RFP recipients and state if and when KeySpan used the criteria. Please provide any evaluation criteria that KeySpan intended to use or used or criteria that it sent to RFP recipients, and any related documents explaining or discussing the criteria.

A. Please see Attachment 1 for the RFP Evaluation Criteria included in the Company's RFP. See Attachment 2 for the scorecard of the bidder's initial responses developed by the Company using the evaluation criteria.

Exhibit G

RFP Evaluation Criteria

Criteria	Points
Price (Least Cost Planning)	35
Experience	20
Flexibility	15
Contract Exceptions (minimum #)	10
Creditworthiness	20
Total	**100**

Price:

- Favorable commodity pricing terms to meet firm sendout requirements
- Management Fee payable to KeySpan

Experience:

- Overall asset management experience
- Familiarity with the Northeast market
- Ability to meet generally accepted industry reporting requirements

Flexibility:

- Diversity of supply, including reserves and production area resources
- Ability to rely on additional resources to ensure supply reliability
- Access to storage
- Peaking services
- Lack of conflict of interest

Contract Exceptions:

- Fewest number of material contract exceptions

Creditworthiness:

- Financial integrity
- Financial strength
- Standard & Poor's and Moody's credit rating
- Reputation

RFP for Management Services - Massachusetts Gas Portfolio
Preliminary Bid Evaluation Analysis

Terms & Conditions	Merrill Lynch			Tenaska		ConocoPhillips	Coral
	Proposal #1	Proposal #2	Proposal #3 (1)	Proposal #1	Proposal #2		
1. Guaranteed Annual Payment							
- Base Period (Yrs.1 & 2)							
- Option Period (Yrs.3 & 4)							
2. Revenue Sharing % (KSE/PM)							
- Base Period (Yrs.1 & 2)							
- Option Period (Yrs.3 & 4)							
3. Bid Status (2)							
4. Bid valid through							
5. Credit Rating (S&P/Moody's)	A+/Aa3	A+/Aa3	A+/Aa3	Private	Private	A-/A3	A-/A2

(1) MLCI would have the right to enter into transactions for years 3 & 4 during the Base Period, prior to exercising option.
(2) Bid subject to Review by Merrill Lynch's Internal Governing Committee. Exception eliminated on 8/4/05.

RFP Evaluation Score Card

	Merrill Lynch			Tenaska		ConocoPhillips	Coral
Price (35 Points)							
Experience (20)							
Flexibility (15)							
Contract Exceptions (10)							
Creditworthiness (20)							
Total							

FIRST SET OF INFORMATION REQUESTS OF
THE ATTORNEY GENERAL
TO KEYSPAN ENERGY DELIVERY NEW ENGLAND

D.T.E. 06-9

Dated: March 9, 2006
Respondent: Elizabeth D. Arangio

Information Request AG 1-3

Q. Please describe any RFP pre-bid conference that took place to allow RFP recipients an opportunity to ask questions about the RFP and describe any other opportunities that allowed recipients to receive clarification and better understand the Company's objectives stated in the RFP.

A. The Company did not hold a pre-bid conference. Instead, the Company requested in the RFP that all bidders submit any questions in writing to the Company's designated representative. The Company then aggregated the questions and distributed written responses to the combined set of questions to all of the bidders that had executed a Confidentiality Agreement with the Company. In total, the Company responded in writing to three rounds of questions from the participating bidders. The questions and answers circulated in the three rounds are provided as Attachments AG 1-3(a), (b) and (c), respectively.

Massachusetts RFP for Portfolio Management Services
Bidders Questions & Responses

Response to Proposal Clarification Questions (7/01/05)

1. Is Merrill Lynch going to have a last look or right of first refusal on this RFP?

   Response: No, in both instances.

2. Is Merrill Lynch going to be involved in any way with the review and analysis of the responses?

   Response: No, in both instances.

3. Is an extension going to be given to the July 15, 2005 bid due date?

   Response: No extension is being contemplated at the present time.

4. Is an extension going to be given to the June 30, 2005 deadline for submitting questions?

   Response: No extension is being contemplated at the present time.

5. The RFP stipulates that responses be firm in nature and binding upon the respondent, until November 1, 2005. Will KeySpan accept non-firm bids relative to price and/or the November 1, 2005 date?

   Response: Section II.B.3 of the RFP states that the bids must be firm, with the price quote and other terms firm until November 1, 2005. It is up to the bidder to assess the risk of having their bid disqualified as a result of submitting a non-conforming bid.

6. Can the capacity be released to Portfolio Manager? If Supply is managed by KeySpan - what occurs so that the Portfolio Manager has title of gas to transport to the citygate? If the answer is no next question is - KeySpan holds both capacity and Supply, then is the Portfolio Manager not responsible for a portion of the load at the citygate equaling this total? This second question applies to each situation that KeySpan maintains the capacity. In modeling, should the Portfolio Manager assume baseload to citygate for all KeySpan managed capacity.

Response: Yes, capacity can be released to the Asset Manager. In Exhibit D-1 of the RFP, there are two categories listed under Supply Resources and Transportation - Company Managed and Released to Asset Manager ("AMA"). It will be the responsibility of KeySpan to schedule and nominate to the city gate all of the contracts with an "X" in boxes in the Company Managed column. Likewise, all contracts listed with an "X" in the boxes in the Released to AMA column will be performed as a capacity release by the Portfolio Manager.

7. Is it KeySpan's expectations to receive a redline from the bidding party or will this be handled at a future point (after deal is awarded)?

Response: Section II.B.1 of the RFP states that the bidders should "identify any exceptions to the Agreement attached as Exhibit C and indicate suggested alternate language for the exceptions". This is to be submitted with the initial bid.

8. Is KeySpan open to an agency arrangement of the assets or a only a capacity release of all assets?

Response: KeySpan is currently not considering an agency arrangement. KeySpan will release capacity to the successful bidder all of the non Company Managed Assets as defined/identified in the RFP.

9. With regard to the management fee to be paid to KeySpan for the optimization of the assets, does that need to be a stand alone item or can it be imbedded into the supply price?

Response: Section III of the RFP states that the "bidders may propose a guaranteed payment to KeySpan, a sharing of net profits, a combination of the two, or any other similar arrangements in which value can be easily quantified". It is left to the discretion of the bidders to determine which structure to propose.

10. With regard to the supply price, is KeySpan looking for least cost, weighted average or other pricing mechanism?

Response: KeySpan is looking for the least overall cost.

11. Is the listing of supply source in particular order i.e., Tennessee Domestic Baseload/Swing Tiers:

Zn 1, 100 leg
Zn 0, 100 leg
Zn 1, 800 leg
Zn 1, 500 leg

Are you required to fill load in that exact order or can you do Zn 1 500 leg before Zn 0 100 leg?

Response: Section 4.1.1 of the Agreement states that "supply will be priced as if sourced from each tier sequentially until each tier is exhausted, up to the Buyer's MDQ". There is no layering within the respective tiers. Each individual zone within the respective tiers contributes a pro-rata share of the overall tier volume. It is left to the discretion of the bidders to present a different (albeit non-conforming) pricing or tier structure.

12. Is LNG part of RFP or not an option?

Response: LNG is a Company Managed Asset set forth on Exhibit D-6 to the RFP. See Response # 6. It is left to the discretion of bidders to present options for LNG utilization.

13. With regard to Demand Charges, will Buyer reimburse Portfolio Manager for all demand charges associated with all the assets released?

Response: Yes, subject to the terms and conditions as described in the Agreement.

14. Will KeySpan accept bids that are non-binding or firm but require Board Approval?

Response: See Response #5.

Massachusetts RFP for Portfolio Management Services
Bidders Questions & Responses

Response to Proposal Clarification Questions (7/08/05)

1. Is the Buyer expecting the Seller to sign a Parental Guarantee? Or is this a negotiated item depending on the company?

   Response:
   Section 3.4.5 of the Agreement states that "From and after the Effective date, Seller shall cause its parent, if any, to execute and maintain in effect throughout the Term of this Agreement a valid and binding guaranty of Seller's obligation under this Agreement…"

   If the Seller is rated at least investment grade by Standard & Poor's ("S&P") and Moody's Investors Service ("Moody's")*, and if the Buyer deems the Seller creditworthy based on, but not limited to, an evaluation of the Seller's results of operations, financial position, and liquidity, then a guarantee may not be required, at the Buyer's sole discretion.

   However, if the Seller is an unrated subsidiary or division of a parent that is rated at least investment grade by S&P and Moody's*, and if an evaluation of the parent utilizing the methodology mentioned above indicates that it is creditworthy, then the parent must provide to the Buyer a guarantee for all obligations of the Seller to the Buyer.

   Bidders may suggest alternative forms of security for KeySpan's consideration but unless such alternative is specifically accepted then KeySpan will expect a parental guarantee, as outlined above.

   **In the case of a split rating by S&P and Moody's, the Buyer will use the lower rating.*

2. Under the Price Section, the Demand Charges "Reasonably Incurred" by the Portfolio Manager will be reimbursed - under what circumstances would the Buyer refuse to reimburse the Seller for Demand Charges incurred on the Buyer's assets released to the Seller?

   Response:
   The Buyer will reimburse Seller for all demand charges associated with the Buyer's contracts released to the Seller as referenced in RFP Exhibit D-1. The Buyer will not reimburse Seller for any demand charges for resources contracted for by the Seller outside of these resources, subject to Sect. 4.3.3 of the Agreement related to Discounted Contracts.

3. Is there any difference between Winter and Summer Price Tiers?

   Response:
   As indicated in Footnote #5 of RFP Exhibit E, "A portion of the Domestic Gulf Coast capacity will be designated for storage refill during the April – October period."

4. Is the Seller responsible for releasing capacity to marketers under KeySpan's Unbundling Program?

   Response:
   No. All transactions required by the KeySpan Gas Unbundling Program will be the responsibility of KeySpan.

5. Will the Buyer release capacity to the Seller each month for all pipeline storage and transportation contracts or only those contracts included in KeySpan's Unbundling Program?

   Response:
   Sect. 5.1 of the Agreement states that "Each month, Buyer shall release, assign or otherwise provide agency rights to the specified transportation and underground storage contracts and related quantities as listed in Appendix 1 of the Agreement, with the exception of the Company Managed Assets. Such contracts are subject to recall….and will be adjusted each Month in accordance with Buyer's Unbundling Program requirements."

6. Does the list of contracts included with this RFP include or exclude capacity released under KeySpan's Unbundling Program? If included please provide the currently released volumes for each contract and potential range of releases for each contract.

   Response:

   The MDQs of the contracts listed in RFP Exhibit E and Appendix 1 of the RFP package are the contractual MDQs prior to release under KeySpan's Unbundling Program. Please refer to Response #18 of this document for the July 2005 released capacity. Said figure divided by the Company's MDQ would represent the percent of all resources released to marketers. The potential range of releases is 0%-100%.

7. Please identify all transportation contracts with discounted rates and provide the appropriate demand, commodity and fuel charges for these contracts.

   Response:
   These contracts are identified on the seventh, eighth, tenth, eleventh, twelfth and thirteenth pages of RFP Exhibit D-2. In addition, please see attached revised RFP Exhibit D-2 TGP-MDQ and Spec. Rate schedules (Note: Revisions, dated 7/8/05, apply to shaded areas of schedules).

8. Many transportation contracts have expiration dates that occur during the proposed term of the RFP. For these contracts please identify if they will be renewed, at what quantity level they will be renewed & if not renewed how will supply be sourced or what asset will be used to replace the expired contract?

Response:
For any existing contract whose expiration date occurs within the term of the Agreement, the Company will evaluate the options of renewing said contract or replacing it with one of similar MDQ and pricing terms.

9. Many of the company managed supplies expire during the proposed term of the RFP. Will the successful Bidder be required to replace these supplies as they expire? If so, on what terms?

Response:
For any existing contract whose expiration date occurs within the term of the Agreement, the Company anticipates submitting an RFP and the Seller will have the opportunity to bid on the replacement supply.

10. Can the Buyer provide a reasonable estimate of Baseload volumes, by month, for the proposed term of the transaction?

Response:
The Company lists below its estimated baseload elections made for the upcoming winter, as a guideline.

Boston/Essex/Colonial
Estimated Baseload Election

Volume per Day (MMBtu)		November	December	January	February	March
	Boston	3,000	23,000	50,000	40,000	11,000
TGP	Colonial	3,000	17,000	28,000	18,000	11,000
	Essex	2,000	15,000	15,000	15,000	8,000
TGP Sub-total		8,000	55,000	93,000	73,000	30,000
	Boston	55,000	95,000	125,000	105,000	80,000
AGT	Colonial	20,000	20,000	25,000	20,000	15,000
AGT Sub-total		75,000	115,000	150,000	125,000	95,000
Grand Total		83,000	170,000	243,000	198,000	125,000

11. Sec. 5.1 (c) please further define … "Seller expressly acknowledges that any recall of underground storage contracts shall result in the conveyance of title to the Paper Storage Balance to Buyer."

<u>Response:</u>
The Buyer requires that when a recall of storage capacity is effected title to a corresponding quantity of commodity natural gas will also be returned to the Buyer.

12. Sec. 5.2.2 what are the limits of the OBAs on TGP and AGT?

<u>Response:</u>
The Company's Operational Balancing Agreements with Tennessee and Algonquin allow the Company the flexibility to balance gas deliveries across all KeySpan Massachusetts gate stations on each given pipeline. However, pursuant to Sect. 5.2.2 of the Agreement, KeySpan, not the Seller, will be responsible for managing the OBA.

13. Would KeySpan provide samples of the monthly and daily reports desired, particularly the "Daily Allocation" report?

<u>Response:</u>
KeySpan does not intend to provide samples of reports. Bidders are expected to provide the Buyer with the format and content of monthly and daily reports that they are willing and able to offer. Said reports shall, however, include detailed information regarding all transactions relating to the Assets. See Section 10.2 of the Agreement.

14. Does Buyer have any discounted transport that would revert to maximum rates when moved out of path? If so, please provide relevant details.

<u>Response:</u>
Please refer to Response #7 of this document. It should be noted, however, that all discounted transportation contracts would revert to maximum rate if moved out of the path.

15. Are there any receipt/delivery point restrictions on any of the transportation contracts? If so, please provide relevant details.

<u>Response:</u>
Each individual contract has both primary receipt and delivery points assigned to the contract. The Company is not prepared at this time to provide a detailed listing of all receipt and delivery points.

16. Does Buyer have any off-system obligations or obligations beyond its load?

Response:
The Company has a small interruptible sales load for which it purchases gas in the off-peak season. While the Seller may be solicited for the additional volume, it is not a firm obligation to the Seller.

17. Please describe any operational balancing agreements Buyer has in place.

Response:
Please refer to Response #12 of this document.

18. When will Buyer notify Portfolio Manager of the monthly capacity recalls and reassignments under the unbundling program? How much has Buyer's MDQ under the Portfolio Management Arrangement changed on a monthly basis over the past two years as a result of Buyer's gas unbundling program?

Response:
Under the Agreement, the Company provides monthly capacity volumes to the Seller no later than 5 business days prior to the 1st of each month. Of the total MDQ listed in RFP Exhibit E, below is a table with 21 months of history of capacity released under the Company's Unbundling Program.

Month	Released Capacity (Dth/day)
Nov-03	67,800
Dec-03	70,700
Jan-04	76,300
Feb-04	78,900
Mar-04	79,100
Apr-04	80,500
May-04	79,200
Jun-04	78,800
Jul-04	77,800
Aug-04	78,100
Sep-04	77,900
Oct-04	77,800
Nov-04	78,400
Dec-04	79,900
Jan-05	82,500
Feb-05	84,700
Mar-05	85,600
Apr-05	86,000
May-05	86,000
Jun-05	85,800
Jul-05	85,900

19. How important is the option for KeySpan to extend the term of the arrangement for up to two additional one-year periods? Under what conditions would KeySpan extend the term of the arrangement?

Response:
As stated in Sect. 6.1 of the Agreement, "the Parties acknowledge that Buyer may extend the Initial term by up to two additional one-year periods.....upon substantially the same terms and conditions as applicable to the Initial Term. Buyer shall notify Seller on or before January 1, 2008 whether it exercises its option to extend the Term up to and including March 31, 2009. Buyer shall notify Seller on or before January 1, 2009 whether it exercises its option to extend the Term up to and including March 31, 2010."

20. Will the Portfolio Manager be allowed to optimize around Baseload (monthly) supply purchased by Buyer?

Response:
The Seller should be prepared on any given day to deliver up to the Buyer's MDQ as referenced in RFP Exhibit E. The Company expects that the Seller will perform such functions as portfolio optimization on behalf of the Buyer and/or Seller.

21. Will "Company Managed Assets" be available for Portfolio Manager to optimize?

Response:
Under the Agreement, there is no provision for releasing "Company Managed Assets" to the Seller; however, from time to time, the Company may offer such assets to the Seller for optimization at the Company's discretion.

22. Will Buyer partition the deal by utility (i.e. Colonial Gas only)?

Response:
No partitioning is being considered.

23. The Boston Gas schematic infers that the load is interchangeable between Tennessee and Algonquin. What percentage is interchangeable? Are there any limitations? Will the Portfolio Manager be allowed to decide whether to use Tennessee or Algonquin to serve a given portion of the load?

Response:
The Company will nominate its daily requirements by pipeline and no interchangeability should be inferred by the Bidder.

24. For the Canadian Baseload Tier of gas supply and transport, it appears that Buyer has long term gas supply contracts to satisfy this tier of gas, and that Buyer will continue to manage the transportation necessary for this gas supply. What role, if any, does Buyer envision for Seller with respect to this portion of supply and transportation?

Response:
As indicated in Sect. 1.8 of the Agreement, "Buyer is responsible for nominating and scheduling those volumes reflected in Appendix 1 and identified as Company managed assets. However, Buyer may choose to request that Seller nominate and schedule these volumes, by giving notice to seller five days prior to the first of a month." With regard to these supplies, please refer to Responses #9 and #21of this document.

25. What volume (in Bcf) of fixed price transactions does Buyer typically trigger with its Portfolio Manager during a given contract year?

Response:
Historically, the Company has not opted for any fixed price transactions under its current or previous asset management arrangements. Under Section 4.1.2 of the Agreement, the Company wishes to reserve this right.

26. What quantity of gas supply does Buyer typically purchase from its Portfolio Manager during any given contract year?

Response:
As a normalized average, the Company anticipates purchasing approximately 70 percent of its annual supply requirements under the Agreement.

27. For the summer underground storage refill, does Buyer assume gas is injected ratably during the April through October period? Does Buyer retain any rights under the Portfolio Management Arrangement to vary the injection quantities by month during the summer?

Response:
Under the Agreement, the storage WACOG is computed based on a ratable injection over the April through October period. Please refer to the definition of "Summer Index" in Section 1.35 of the Agreement . The Company intends to notify the Seller, prior to March 31st of a contract year, its refill pricing plan. The Company makes no assumptions on the actual rate of refill of physical gas._It should be noted, however, that strict adherence to Sect. 4.6 of the Agreement - Peak Period Storage Inventory Levels, is required. Careful consideration needs to be given to storage field and injection rate protocols (see Sect. 5.1 of the Agreement).]

28. Since the Summer Index is computed at the end of the summer injection period, how does Buyer intend to pay for gas injected into storage during the summer? Will Buyer pay Seller for gas injected into storage at the end of the summer, or will Buyer pay Seller for gas injected into storage on a ratable basis during each month of the summer?

Response:
Payments will be made by the Buyer as per Sect. 4.1.1 of the Agreement. This Section states that "Volumes up to the underground storage refill volumes described in Section 4.4 shall be priced equal to the Storage WACOG plus applicable Variable Charges plus carry costs equal to LIBOR plus 5 basis points for the period such gas was carried in storage." The Company will pay for storage supply at the time of withdrawal.

In addition, as stated in Sect. 5.1.1 of the Agreement, "at the end of the Term of this Agreement, if Seller's Ending Actual Underground Storage Balance is greater than Buyer's Paper Storage Balance, Buyer will pay Seller for the difference at the simple average of the April through October period following such expiration or termination first-of-the-month receipt point indices for the pipelines (Tennessee and Texas Eastern) used to inject supply into Buyer's storage contracts, plus all applicable variable charges."

29. The magnitude of the "Initial Underground Actual Storage Balance" that will exist on April 1, 2006 could have a material impact on the value of the Portfolio Management arrangement. What factors will influence this amount? Are there any existing contractual requirements that will influence this amount?

Response:
The amount of gas remaining in storage on April 1, 2006 is an unknown and will depend on many factors including weather and the opportunities embedded in KeySpan's current Portfolio Management Agreement.

30. Under what type of circumstances would Buyer revise its asset listing?

Response:
The Company retains the right to add assets to its portfolio to address the needs of its customers, as well as performing renewal/replacement decisions at the time of expiration of contracts within its portfolio during the term of the Agreement. Please refer to Response # 8 of this document.

31. What method will be used to adjust transportation fees as capacity is added/deleted?

Response:
Please refer to Section 4.3.1 of the Agreement. If changes are made to the portfolio of resources assigned to the Seller, the Company will adjust transportation fees accordingly.

32. If a portion of the value in Seller's bid is derived from a pricing relationship using NYMEX or Basis Hedges, is it acceptable to have Seller's firm offer be subject to adjustment based on changes in market conditions for such NYMEX and Basis Hedges?

Response:
Section II.B.3 of the RFP states that the bids must be firm, with the price quote and other terms firm until November 1, 2005. It is up to the bidder to assess the risk of having their bid disqualified as a result of submitting a non-conforming bid.

33. Will Buyer accept a bid for the management of its assets without requiring the Portfolio Manger to sell it supply?

Response:
The RFP anticipates that the successful bidder will both manage the assets and provide the supply required to meet the Company's firm sendout requirements associated with such assets. It is up to the bidder to assess the risk of having their bid disqualified as a result of submitting a non-conforming bid.

34. Please verify that all capacities provided in the exhibits are net capacity positions (i.e. total capacity less that dedicated for unbundled customers).

Response:
Please refer to Response # 6 of this document.

35. In Section V. of the RFP under "Gas Supply Obligations" it reads that, "upon hitting a storage ratchet based on Buyer's Paper Storage Balance, Seller shall remain obligated to sell and deliver up to Buyer's MDQ…" Please clarify what this means.

Response:
Upon hitting a storage ratchet, the Company is not obligated to purchase the difference in volume between the storage MDQ before and after ratchet; however, the Seller should stand ready to provide these volumes if nominated by the Company at a mutually-agreed upon price.

36. Please provide historical load data by gate. Also please specify (by gate) the amount served by third parties.

Response:
The Company has already provided detailed prospective data (RFP Exhibit F). The Company is not prepared at this time to provide the detailed historical data requested.

37. Please outline any tax obligations.

Response:
As per Sect. 7.3 of the Agreement, "Buyer shall reimburse seller for any taxes, including ad valorem taxes, fees or charges, other than income tax, which are levied by a governmental or regulatory body on the Gas sold under this Agreement."

38. How large and how dynamic is the unbundling program? Does it change the MDQ AMA has each month? Is their different volumes released each month.

Response:
Please refer to Response #18 of this document.

39. Unbundling program: Any history of the market share?

Response:
Please refer to Response #18 of this document.

40. Unbundling program: Are assets released to marketers across the board pro rata or is there a subset of assets that get assigned?

Response:
The assets released to marketers under the Company's Unbundling Program are released on a pro rata slice-of-system basis determined by the pipeline serving a given marketer's given customer.

41. Explain how the unbundling program can affect the MDQ daily?

Response:
The Company's Unbundling Program releases capacity to marketers monthly. The releases are adjusted monthly (please refer to Response #18 of this document). Within a given month, capacity available to the Seller will not change.

42. How are the MDQs submitted?

Response:
Please refer to Response #18 of this document. The MDQs available to the Seller are verified via the pipeline electronic bulletin boards and reconciled with Company personnel prior to the first of the month.

43. Is the MDQ in Nov adjusted in the month to match the change in Transportation rights?

Response:
The MDQ in the month of November is reflected in RFP Exhibit E.

44. Does that make two tier prices for November for the Domestic Baseload/Swing Tier? (see Qt. # 43)?

Response:
Please refer to Responses #43 and #10 of this document. In the month of November, The Company will have nominated some amount of domestic long haul as base load Supply pricing tier; the remainder of its domestic long haul capacity which the Buyer Nominates, will then be priced as swing pricing tier.

45. Are the MDQ requirements only to the city gate or does Buyer have the right to request MDQ deliveries to other locations?

Response:
The MDQ requirements are only to the citygate

46. Is Seller allowed to deliver behind the city gate? To end users or to other marketers/shippers?

Response:
In accordance with Item 18 of RFP Exhibit B, to the extent that a bidder sells or manages gas or electric commodity or services, or intends to sell or manage gas or electric commodity or services behind the Company's city gate, the Company expects that bidder to disclose such information which will then be specifically evaluated based on the criteria set forth in RFP Exhibit G.

47. Will buyer consider paying for all summer storage injections in the summer as opposed to in the winter and paying interest?

Response:
It is up to the bidders to assess the risk of having their bid disqualified as a result of submitting a non-conforming bid.

48. Is the summer index strictly a ratable Apr-Oct plan per each pipe/storage facility or weighted average over all facilities? If it is a ratable plan, is this somehow adjusted for No-notice activity (either w/ds or injections)?

Response:
The Company assumes that the pricing for refill of each storage field will be on a ratable basis, based on the zone entitlements of the specific pipeline filling each field. No-notice activity during either the injection or withdrawal period should be covered under the appropriate rate schedules paid by the Company.

49. Does title to storage gas transfer when put into ground or delivered to citygate? Please clarify "delivery points" definition.

Response:
It is expected that Title to the Initial Underground Storage Balance transfers to Seller on the effective date of the agreement (Sect. 5.12 of the Agreement). Thereafter, subject to any recall or termination provisions of the Agreement that may require otherwise, title to storage gas transfers to Buyer when delivered to the Delivery Point(s). (Sect. 7.1 of the Agreement). The definition of Delivery Points can be found at Sect. 1.7 of the Agreement and are as shown on Appendix 1 of the Agreement.

50. Can you clarify Ending storage balance being priced at the average over subsequent Apr-Oct pricing rather than market price?

Response:
Per Sect. 5.1.1, "if Seller's Ending Actual Underground Storage Balance is greater than Buyer's Paper Storage Balance, Buyer will pay Seller for the difference at the simple average of the April through October period following such expiration or termination…" This storage pricing provision is intended to replicate the pricing upon which the Portfolio Manager will be making its decisions on whether to make sales out of storage, i.e., such decisions will be based upon the replacement cost of storage.

51. Which TETCO and TENN long haul assets are assigned to the underground storage refill?

Response:
In RFP Exhibit E, a portion of each pipeline's Domestic Baseload/Swing Tiers will be assigned to storage refill on a pro rata basis.

52. Is the Nov1 logical fill target 95% or 100%

Response:
Per Sect. 4.6 of the Agreement, "Seller will refill Buyer's storage capacity to a minimum of 95% full prior to November 1st of each contract year during the term."

53. FSS-1 shows 6154 MDWQ for all 4 inventory levels. Is there only one (or no) ratchet?

Response:
There is only the one MDWQ value for the FSS-1 service.

54. Is Seller not exposed to any No-Notice storage costs or allocations?

Response:
Please refer to Response # 48 of this document.Variable charges associated with portfolio optimization would be the responsibility of the Seller. The company expects to pay in accordance with the variable charges listed in RFP Exhibit E.

55. How are No-notice injections/withdrawals handled?

Response:
No-notice injections/withdrawals are handled in accordance with the appropriate pipeline nomination deadlines.

56. Will all contracts be released or assigned on a monthly basis due to fluctuating contract MDQ's?

Response:
Please refer Response #18 of this document.

57. How much fixed price triggering has Keyspan historically done? Is there any hedging program?

Response:
KeySpan has had a portfolio hedging program in effect for its three Massachusetts LDCs since November 2003 to address price volatility for their customers. In addition, please refer to Response #25 of this document.

58. Does Keyspan have the right to make third party sales at any time?

Response:
Buyer reserves the right to make third party sales with Company Managed Assets

59. Will KeySpan consider making the option to extend the term past the initial 2 years a mutually agreeable option between Buyer and Seller?

Response:
It is up to the bidder to assess the risk of having their bid disqualified as a result of submitting a non-conforming bid.

60. If an intra-day change by Buyer requires Seller to increase or decrease its baseload or swing deliveries, will Buyer keep Seller whole if Seller is required to purchase additional intra-day gas or sell-off intra-day gas?

Response:
As per Sect. 4.1.1 of the Agreement, there is a keep whole provision for baseload deliveries. There is no keep whole provision for swing deliveries.

61. Can you provide your historical load and temperature data so that we can do our own estimate?

Response:
The Company has already provided detailed prospective data. The Company is not prepared at this time to provide the detailed historical data requested.

62. Is there interruptible load history separate from the total load history provided? Is the load history the total send out (including both firm and interruptible customers)?

Response:
The Company is not prepared at this time to supply interruptible load history. Please refer to Response #16 of this document. The load forecast provided in RFP Exhibit F-1 is for all firm customers using utility capacity (both sales customers and those associated with the Company's Unbundling Program); it does not include interruptible sales or transportation.

63. How should we treat Tennessee ConneXion project in the supply stack?

Response:
As currently envisioned, the additional capacity from the Tennessee ConneXion Project would be added to the Company's Domestic Baseload/Swing Tier. It should be noted, that the Buyer was recently awarded 12,700 MMBtu/day of additional Tennessee ConneXion capacity, bringing the total MDQ to 112,700 MMBtu/day, subject to regulatory approval. The anticipated service date is November 1, 2007.

64. Can you explain domestic baseload/swing pricing tier? Is it a WACOG of the prices or do volumes fill up the pricing stack that the buyer will give us (i.e. least cost dispatch)?

Response:
For either baseload or swing nominations made for the Domestic Baseload/Swing Tier, the tier pricing will be based on the weighted-average of the components of the tier.

65. Peak Period Domestic Baseload Index/Peak Period Domestic Swing Index - Can you provide us a historical schedule of Baseload and Swing Nominated volumes?

Response:
Please refer to Response #10 of this document for data for estimated baseload volumes.

66. What is the citygate flexibility for supplier to deliver Tenn. vs. AGT? Is there a history or forecast of that split out on the MDQ requirements and on top of that what is the physical flexibility? Is there a rule of thumb about this physical flexibility by temperature or at least by month?

Response:
Please refer to Response #23 of this document.

67. Is there some portion of the storage injection or withdrawal rights that have to be left open for balancing the system?

Response:
This would be at the Seller's discretion. The Seller will remain obligated to deliver up to the Buyer's MDQ as listed in Exhibit E.

68. Third Party Transporter volume impact: Do third party transport deliveries to the city gate effect either the MDQ or the physical flexibility to deliver on AGL vs. Tenn.?

Response:
If there are any effects, the Buyer's MDQ nominations will account for them.

69. Which contracts are the discounted contracts? Can we see the special rates on those contracts?

Response:
Please refer to Response #7 of this document.

70. Does an Asset Management Draft/Sample Agreement exist that KeySpan could provide for legal review?

Response:
Please refer to RFP Exhibit # C.

71. Will a Precedent Agreement be signed between the KeySpan and the Seller, while the final Asset Management Agreement is negotiated?

Response:
No. It is expected that a binding asset management agreement in form and substance substantially similar to the Agreement (RFP Exhibit C) will be executed by the Buyer and the successful bidder, subject to review and approval of the Massachusetts Department of Telecommunications and Energy.

72. Upon assignment or release of transport/storage assets to winning bidder, shall all agreements be subject to bulletin board bidding?

Response:
Please refer to Sect. 2.1 of the Agreement. Assets available for management by the successful bidder fall into three broad categories: Capacity released to the asset manager at max rate; Capacity for which the asset manager will be designated as the agent of the Company; and, Company Managed supplies, at Buyer's discretion. All transactions will be accomplished in a manner consistent with FERC rules and regulations. It is not expected that the transactions will be subject to posting.

73. Will KeySpan be providing "back up" credit assurances to the pipeline entities or will Seller be required to provide all additional credit assurances if deemed necessary by those said entities?

Response:
No. Bidders are expected to meet all applicable pipeline credit worthiness standards necessary to perform the obligations required by the Agreement.

74. Are all upstream supply agreements assignable based on creditworthiness, and good industry standing? In the event, an entity objects to assigning their agreement to winning bidder, what will be the recourse?

Response:
In accordance with RFP Exhibit D-1, all upstream supply agreements fall into the category of Company Supply agreements, and therefore, will not be assigned.

75. If a bidder requires Board and Senior Management approvals for entering into such a term agreement, are there allowances for a firm bid to be subject to overall Management review? Would that disallow the bid from consideration?

Response:
Section II.B.3 of the RFP states that the bids must be firm, with the price quote and other terms firm until November 1, 2005. It is up to the bidder to assess the risk of having their bid disqualified as a result of submitting a non-conforming bid.

76. With regard to contract extensions, what will be the notification period provided by KeySpan to winning bidder? Will the extensions include pricing tier revisions? Shall the extensions require additional contract language or will that be part of the initial agreement - State, Federal, Others?

Response:
Please see Response #19 of this document.

77. Is the Asset Management Agreement subject to what regulatory reviews?

Response:
Please refer to Response #71 of this document. As described in Sect. 11.4 of the Agreement, "Seller acknowledges that this Agreement is conditional upon the review and approval of the DTE prior to becoming effective." For additional requirements, please see Sect.11 of the Agreement.

78. Is the Asset Management transaction subject to annual review by these same governmental bodies?

Response:
The Company does not anticipate an annual review following the initial approval by the Massachusetts Department of Telecommunications and Energy. However, the Company cannot predict what review requirements may be imposed upon it by regulators. Please refer to Sect. 11 of the Agreement for additional information.

79. What is the process in "unwinding" the transaction should one of the regulatory reviews deem the transaction between KeySpan and bidder non-prudent to rate payers?

Response:
Please refer to Sect. 11.3 and Sect. 6.4 through 6.6 of the Agreement for details on the unwinding process under the specified circumstances.

80. Should a management fee payable to KeySpan be proposed, does KeySpan require that payment to be upfront, or can the payments be on a monthly basis e.g. deductible from the demand charges/transport fees/storage fees due bidder from KeySpan?

Response:
Per Sect. 4.2 of the Agreement, proposed pricing to be provided by bidders.

81. Pertaining to a "sharing" mechanism, those monies owed to KeySpan from bidder be deducted from those fees owed to bidder, or shall separate invoicing occur and the funds be netted out?

Response:
It is left to the discretion of the bidders to present their proposals. Please refer to Sect. 10 of the Agreement as to the types of netting of funds envisioned by the Company.

82. Can KeySpan provide examples and/or documentation of the following;
- Tier Pricing (least cost dispatch)
- Paper Storage Accounting
- Historical Storage Usage
- Historical usage pattern
- Nomination forms
- Outstanding Pipeline/Storage Imbalances
- LNG usage pattern

Response:
The Company is not prepared to provide these items at this time.

83. Other than "slice of service" reduction for retail providers, what agreements does KeySpan anticipate not renewing with either transport or storage providers? Dependent upon the forecasted volume of usage and assets available, the value assigned to this transaction may be adversely affected should agreements expire.

Response:
Please refer Response #8 of this document.

84. How will "sharing" mechanism transactions be accounted for? Documented? Agreed upon (e.g. market intelligence/market information sharing)?

Response:
It is left to the discretion of the bidders to present their proposals.

85. Will the current asset manager be permitted to assist KeySpan in reviewing the bids associated in this RFP?

Response:
No.

86. How many personnel are expected from each entity to manage this transaction? Front office, mid office, back office?

Response:
It is left to the discretion of the bidders to present their proposals.

87. Does KeySpan require bidder's employees to be located in their offices? If so, how many? From what area?

Response:
This is not a specific requirement of the RFP. Please see Response #86 of this document.

88. Does KeySpan require any of its personnel to reside in bidder's office location?

Response:
This is not a specific requirement of the RFP. Please see Response #86 of this document.

89. How will expenses for personnel be handled? Should expected costs for travel, etc. be included in the bid or will there be an exception/process to follow agreed upon between both companies?

Response:
Seller is responsible for all of the costs associated with providing the Portfolio Management Services being solicited.

90. In modeling, should the Portfolio Manager assume baseload to citygate for all KeySpan managed capacity?

Response:
In accordance with the pricing tiers found in Exhibit E, the Canadian Baseload Tier is assumed to be dispatched first. In addition, please refer to Sect. 4.1.1 of the Agreement.

91. Please provide daily historical utilization of storage and the pipes

Response:
The Company has already provided detailed prospective data. The Company is not prepared at this time to provide the detailed historical data requested.

Massachusetts RFP for Portfolio Management Services
Bidders Questions & Responses

Response to Proposal Clarification Questions (7/21/05)

1. DTI storage fuel rate are different for Settled Party and Severed party - which category does KeySpan fall under?

   Response:
   KeySpan is a Settled Party.

2. Further clarification to previously submitted question related to holding of title by shipper. In Exhibit D-1 of the RFP, there are two categories listed under Supply Resources and Transportation - Company Managed and Released to Asset Manager "AMA"). It will be the responsibility of KeySpan to schedule and nominate to the city gate all of the contracts with an "X" in boxes in the Company Managed column. Likewise, all contracts listed with an "X" in the boxes in the Released to AMA column will be performed as a capacity release by the Portfolio Manager. More specifically you have marked the following as Company Managed yet corresponding capacity is marked with Portfolio Manger:
   - Honeoye Storage: yet the associated TGP capacity is marked as AMA - how will you get gas to gate and does AMA have right to the capacity with no obligation of supply?
   - IGT Waddington Supply is marked as Company Managed, the Associated Iroquois capacity of 35,000 is AMA managed but the TGP capacity to Mendon and gate is Company Managed - how will this work?

   Response:
   KeySpan will work together with the AMA to coordinate the nomination and scheduling responsibilities for the Company and AMA Managed assets to meet the MDQ outlined in RFP Exhibit E.

3. From your Spreadsheet on Forecast Sendout - can you confirm which citygate pertains to which Company from following citygates list and what capacity is associated with the particular gate (i.e. Algonquin or Tenn.):
   - Boston, Lowell, Essex and Cape

   Response:
   See RFP Exhibit D-5 for a complete listing of KeySpan's citygates and the corresponding pipelines and meter numbers. Boston Gas is served by Algonquin and Tennessee, Colonial Gas (Lowell) is served by Tennessee, Colonial Gas (Cape) is served by Algonquin and Essex Gas is served by Tennessee.

4. Can the AMA view the three Company portfolios as one and manage the citygate needs by utilizing all available or will it have to utilize specific assets for a specific citygates?

   Response:
   Yes. The AMA may manage the three Company portfolios as one, but supply must be delivered to the citygate(s) of the primary contract holder.

5. In modeling what excess capacity exists in KeySpan's portfolio? Is it correct to supply system load by using the methodology provided by Exhibit E?

   Response:
   Yes. A conforming bid will use the pricing hierarchy contained in RFP Exhibit E to meet the load up to the MDQ. However the asset manager will have the discretion to supply using all released assets. The Company will nominate one total quantity by delivering pipeline daily.

6. Clarification - KeySpan can enforce the rule curve on the AMA manager in the course of the winter (example expecting the AMA to purchase additional supply at peak times).

   Response:
   Yes. As stated in Sect. 4.6 of the Agreement, "Seller will refill Buyer's storage capacity to a minimum of 95% full prior to November 1st of each contract year during the Term. In addition, Seller shall be at the Storage Rule Curve by December 1st of each contract year during the Term and shall maintain in storage no less than the lower of the paper Storage balance or the amount indicated by the Storage Rule Curve for the end of each month of the Peak period. The Storage Rule Curve is presented in Appendix 3. In complying with the lower of the Paper Storage Balance or the Storage Rule Curve, Seller may within any month allow underground storage inventory to fall below the curve so long as by the third business day prior to the end of such month, the total underground storage volume is equal to or exceeds the lower of the Paper Storage Balance or the amount indicated by the curve. Should Seller fail to do so, Buyer may at its discretion arrange for gas storage injection to bring underground storage levels to the required level and seller shall be responsible for all of Buyer's costs for doing so."

7. In verification of pipeline rates listed on the provided spreadsheet to pipeline rates posted on EBB, discovered some discrepancies - should AMA use pipeline established rates?

   Response:
   The pipeline rates provided by KeySpan were the most recent rates available at the time the document was prepared. Please use any updated tariff pipeline rates that may be available from the pipelines' electronic bulletin boards.

8. Tetco access area total 226,890 dth/d away on CDs 43,347 and FT 97,627 - is the excess access area tied to any other capacity or just flexibility from the access area?

Response:
KeySpan's firm transportation contracts with Tetco contain excess access area entitlements in the production area which provide operational flexibility to the shipper. That same flexibility will be available to the AMA.

9. In response to Question 27, you mention that the Company intends to notify the Seller, prior to March 31st of a contract year, its refill pricing plan. What is meant by "refill pricing plan"? How does this differ from WACOG based on a ratable injection over the April through October period?

Response:
At the end of each month the Company will reconcile the paper storage balance with the AMA. Prior to March 31st of a contract year, the Company will calculate, based on the best available information at that time, the total storage refill required to reach the minimum 95% storage refill level by November 1. This volume will form the basis for the storage refill plan. The price for this volume will be based on ratable injections over the seven summer months of April through October. The Company will consult with the AMA to make adjustments, as required, in response to the Company's Unbundling Program and potential underground storage withdrawals in the shoulder months.

10. Section 6.1 of the Gas Resource Portfolio Management and Gas Sales Agreement reads, "The Parties acknowledge that Buyer may extend the Initial Term by up to two additional one-year periods, i.e., up to and including March 31, 2010." Does this mean that Buyer may extend the agreement for a period of time less than one year (i.e. from April 2009 through September 2009) or can Buyer only extend the term in one-year increments?

Response:
Buyer can only extend the term of the Agreement in one year increments.

11. Will Buyer request RFP's before exercising its option to extend the term of the deal on 1/1/08 and/or 1/1/09?

Response:
The Buyer, at its sole discretion, reserves the right to issue an RFP for the option periods.

12. Does KeySpan have an extension right in its current Portfolio Management Agreement that is still exercisable by KeySpan?

Response:
The current Portfolio Management Agreement expires March 31, 2006.

13. Both the Gas Resource Portfolio Management and Gas Sales Agreement and Buyer's response to Question 28 in the prior set of questions indicate that storage carrying costs will be equal to LIBOR plus 5 basis points. Does buyer intend for this to be 0.05% or 5%? What LIBOR rate is buyer referring to (i.e. 1-month, 1-year)?

Response:
The storage carrying costs will be equal to LIBOR plus 5 basis points (.05%). The LIBOR rate referenced above is 1-month LIBOR.

14. In taking into consideration Buyer's Unbundling Program, should volumes associated with this program be netted off of the system load as well as the overall capacity of the assets?

Response:
Yes. The volumes associated with the Unbundling Program should be netted off of the system load as well as the overall capacity of the assets.

15. Is the Canadian baseload supply and associated transport capacity included in the Unbundling Program?

Response:
Yes. The Canadian baseload supply and associated transport capacity are also included in the Company's Unbundling Program.

16. Could you please provide an example of how a volume of 10,000 dth/d under the Unbundling Program would be allocated its "slice of system" capacity if such load were delivered off of Tennessee, and a separate example if such load were delivered off of Algonquin?

Response:
If a marketer aggregated 10,000 dts of capacity under the slice of the system approach, the marketer would be allocated a weighted average volume of 10,000 dts made up of peaking, storage and longhaul capacity. The allocation of each of these resources is based on the sum of the load factors in the marketers' pool. The contracts by LDC and pipeline and allocation factors can be found on the Company's website under Business Partner, Energy Marketers.

17. The forecasted system load information is very helpful. Would it also be possible to get a forecast of the quantity expected for the Unbundling Program? Are there any material changes to the Unbundling Program that would cause these quantities to grow or shrink over the next 2-4 years?

Response:
The Company is not prepared to provide a forecast of its Unbundling Program at this time. The Company is not aware of any material changes that would significantly impact the quantities contained in its existing Unbundling Program.

18. For any guaranteed revenue or sharing revenue payable to KeySpan under this Portfolio Management arrangement, how is such revenue allocated between the utilities' ratepayers and shareholders? Please describe any incentive rate or performance based rate mechanisms that would impact KeySpan's actions under the Portfolio Management arrangement.

Response:
From the bidders point of view the obligation is to maximize the value regardless of shareholder/ratepayer impact.

The allocation of revenues under a Portfolio Management arrangement have historically been treated in accordance with the Department of Telecommunication and Energy's order in Interruptible Transportation, D.P.U. 93-141. See also, Boston Gas Company, Colonial Gas Company and Essex Gas Company, D.T.E. 99-76 at 23; KeySpan Energy Delivery New England, D.T.E. 04-9 at 13-14.

19. When and how might Buyer recall storage capacity (follow up to Q&A #11 from 7/8/05 KeySpan responses)?

Response:
KeySpan might recall storage capacity at the end of the term of the Agreement or in the case of failure to perform on the part of the AMA.

20. If LNG import capacity dramatically increased in the KeySpan NE service area, what impact would that have on the Portfolio Management arrangement?

Response:
As with any new supplies or pipeline projects available to KeySpan, the Company will perform due diligence to evaluate any and all opportunities available to meet the needs of its customers.

21. Under the Gas Resource Portfolio Management and Gas Sales Agreement, it is clear that Seller has a firm obligation to sell and deliver gas up to the MDQ based on Buyer's nominations to Seller. Under such agreement, however, it appears that Buyer would have the ability to purchase gas from third parties in lieu of purchasing gas from Seller. Please clarify KeySpan's intention with respect to its obligations to purchase gas from Seller.

Response:
As stated in Sect. 3.2 of the Agreement, " Both Buyer and Seller understand that, upon hitting a storage ratchet based on Buyer's storage inventory balance, Seller shall remain obligated to sell and deliver up to the MDQ; however, in that event, Buyer may elect to satisfy its city gate requirements through the utilization of Company Managed Assets and/or the purchase from a third party to the MDQ. " In addition, as stated in Sect. 3.2.1 of the Agreement, "From time to time during the Term of this Agreement, Seller may sell and Buyer may purchase quantities in excess of the MDQ, provided that both Buyer and Seller agree to such delivery. Nothing contained in this Sect 3.2.1 shall prevent Buyer from purchasing quantities of Gas in excess of the MDQ from a third party(s) other than Seller."

22. In Section 5.1 of the Gas Resource Portfolio Management and Gas Sales Agreement, "agency rights" are referenced. What type of agency rights does Buyer envision, and to which contracts might such an agency arrangement apply?

Response:
The Company may assign agency rights -- under which title would not pass but the AMA could control the use of the assets -- to the AMA for nomination purposes for certain select assets designated as "Company Managed" in RFP Exhibit D-1."

23. Follow up to Q&A #27 from 7/8/05 KeySpan responses – In the response to this question, it states: "The Company intends to notify the Seller, prior to March 31st of a contract year, its refill pricing plan." Please clarify if this is intended to imply that Buyer has the right to designate different volumes by month for storage refill (e.g. in one year Buyer might designate more volumes for refill early in the summer injection period, and in another year Buyer might designate more volumes for refill late in the summer injection period)? If that is the case, please confirm if the calculation of Summer Index for any given year would then use a volume weighting each month based on Buyer's monthly volume designations for such year.

Response:
Please refer to Response #9 of this document.

FIRST SET OF INFORMATION REQUESTS OF
THE ATTORNEY GENERAL
TO KEYSPAN ENERGY DELIVERY NEW ENGLAND

D.T.E. 06-9

Dated: March 9, 2006
Respondent: Elizabeth D. Arangio

Information Request AG 1-4

Q. Please describe in detail the criteria that KeySpan used to evaluate refreshed bids that KeySpan received on September 13, 2005 and describe the evaluation and negotiation process for selection of the winning bidder Merrill Lynch Commodities Inc. (MLCI).

A. The Company applied the evaluation criteria set forth in the RFP throughout the bid-evaluation process as well as to the negotiations with short-list bidders.

FIRST SET OF INFORMATION REQUESTS OF
THE ATTORNEY GENERAL
TO KEYSPAN ENERGY DELIVERY NEW ENGLAND

D.T.E. 06-9

Dated: March 9, 2006
Respondent: Elizabeth D. Arangio

Information Request AG 1-5

Q. Refer to p. 13 of Testimony of Elizabeth D. Arangio. Please provide a detailed explanation of the criteria the Company used to develop the list of 23 RFP recipients solicited to participate in the RFP process.

A. The Company issued its Request For Proposals ("RFP") for gas-resource optimization services to a list of bidders who had been identified in the March 14, 2005 issue of Gas Daily as "Top North American Gas Marketers," because the Company views this list to be a comprehensive listing of entities that have the potential and interest in managing the KeySpan portfolio. In addition, the Company also sent the RFP to six additional entities with which KeySpan conducts business: DTE Energy, Constellation Energy and four financial entities (Deutsche Bank, Merrill Lynch, Morgan Stanley and UBS Warburg). The comprehensive list of bidders was provided as Attachment (a) in the Company's response to Information Request DTE 1-2. Please note that emails relating to the development of the bid-solicitation list are provided in Attachment AG 1-1(i).

FIRST SET OF INFORMATION REQUESTS OF
THE ATTORNEY GENERAL
TO KEYSPAN ENERGY DELIVERY NEW ENGLAND

D.T.E. 06-9

Dated: March 9, 2006
Respondent: Elizabeth D. Arangio

Information Request AG 1-6

Q. Refer to p. 14 of Testimony of Elizabeth D. Arangio. Please explain in detail KeySpan's reasons for requesting the four competitors to refresh their bids after the devastation in the Gulf by Hurricanes Katrina and Rita.

A. The Company's decision to request the four competitors to refresh their bids was a result of two factors: (1) the need to obtain new bids to reflect the Company's clarification of the resources that would be available to the asset manager under the agreement; and (2) the need to identify whether the occurrence of the two hurricanes in the Gulf had any impact on the initial bids submitted to the Company. Specifically, through the Q&A process, the Company identified the need to clarify the deliverability relationship between its Texas Eastern upstream assets and Algonquin downstream assets. Secondly, following the devastation in the Gulf and its effect on the already volatile commodity market, the Company felt it necessary to solidify the commitment of the bidders' responses by allowing them the opportunity to refresh their bids.

FIRST SET OF INFORMATION REQUESTS OF
THE ATTORNEY GENERAL
TO KEYSPAN ENERGY DELIVERY NEW ENGLAND

D.T.E. 06-9

Redacted Response and Attachment

Dated: March 9, 2006
Respondent: Elizabeth D. Arangio

Information Request AG 1-7

Q. Please explain each of the separate profit sharing provisions of the contract under § 6.1 and how the proposed optimization agreement changed from the existing optimization agreement. Please provide copies of all correspondence, including but not limited to, internal and external e-mails, letters, memos and reports concerning the profit sharing provisions.

A. In terms of the revenue-sharing provisions, the existing optimization agreement and the proposed agreement differ only in terms of the disposition of the asset manager's allocation of revenues. As described in the testimony of Ms. Arangio, the existing agreement is structured as follows:

- Operates as a traditional outsourcing arrangement whereby the complete management of the resource portfolio is handed over to MLCI;
- In return, MLCI guarantees a minimum payment of $ million each year, which is applied as a direct credit to customers through the Cost of Gas Adjustment ("CGA") factor;
- Any revenues derived in excess of the $ million payment are shared between the Asset Manager and KeySpan customers (on a / basis), with KeySpan sharing in the customer portion of excess revenues.

The proposed agreement is structured as follows:

- Operates as an asset-optimization arrangement to allow greater involvement by KeySpan in the management of the resource portfolio, with a more limited portion of the resource portfolio under the control of MLCI;
- In return, MLCI and KeySpan guarantee a minimum payment of $ million each year, which is applied as a direct credit to customers through the CGA;
- Any revenues derived in excess of the $ million payment are shared between the Asset Manager and KeySpan customers (on a basis) with KeySpan sharing in the Asset Manager's portion of excess revenues in proportion to its involvement in the resource management and optimization.

Attachment AG 1-7 provides copies of internal emails, memoranda and correspondence with the short-list bidders relating to the Company's decision to structure the arrangement to allow for greater participation and control by KeySpan and the related revenue-sharing provisions. Please note that the actual contract with MLCI was negotiated by KeySpan's legal counsel, and therefore, communications regarding the contract negotiations are privileged by virtue of the attorney/client relationship.

Please note that Attachment AG 1-7 contains confidential information covered by the Motion for Confidentiality that was granted by the Department on February 27, 2006. Therefore, the Company has provided a redacted version of Attachment AG 1-7 herewith for the public record. The Company has also provided a copy of the confidential version to the Department and the Attorney General (pursuant to a confidentiality agreement).

Cheryl M. Kimball

68

-------- Original Message --------
Subject: Meeting with ConocoPhillips
Date: Tue, 01 Nov 2005 08:25:35 -0500
From: Joseph Pradas <jpradas@keyspanenergy.com>
To: Richard Rapp <rrapp@keyspanenergy.com>

Rich,

Just got off the phone with Jeff Brant, Director NE Origination - ConocoPhillips, re: meeting for next week to discuss the Mass. gas portfolio. I gave him a very brief and broad overview of the alternatives we are exploring relative to the management of the portfolio, so that he would know whom to bring to the meeting. He is going to touch base with Keith Taylor, VP Trading East Region, and his immediate boss, Will Hussey, SVP Origination.

He'll get back to me later today or tomorrow.

Joe

Cheryl M. Kimball

69

-------- Original Message --------
Subject: Re: Mass. Gas Portolio - Meeting w/ ConocoPhillips
Date: Tue, 15 Nov 2005 07:57:35 -0500
From: Joseph Pradas <jpradas@keyspanenergy.com>
Organization: KeySpan
To: Jeff Brant <jeff.brant@conocophillips.com>
CC: Richard Rapp <rrapp@keyspanenergy.com>, Ann Marie Levine <alevine@keyspanenergy.com>
References: <4374D27D.2020808@keyspanenergy.com>

Jeff,

As a follow-up to our phone call last week, this e-mail will serve to confirm our meeting for this Thursday, 11/17, at 2:00pm at KeySpan's office located at One Metrotech Center, Brooklyn, NY. The meeting will be held in Conf. Rm.2-04C, 2nd floor.

Please give me a call on my cell phone (718-344-2581) if you have any questions.

See you Thursday.

Joe

Joseph Pradas wrote:

> A meeting with ConocoPhillips has been scheduled for Thursday, 11/17, at
> 2pm. Location TBD (Hicksville or MetroTech).
>
> Joe
>

Cheryl M. Kimball

70

-------- Original Message --------
Subject: Follow up on Keyspan / ConocoPhillips Mtg 11/18/2005
Date: Mon, 21 Nov 2005 11:33:40 -0600
From: Hussey, Will W <Will.W.Hussey@conocophillips.com>
To: rrapp@keyspanenergy.com, jpradas@keyspanenergy.com
CC: Brant, Jeffrey R. <Jeff.Brant@conocophillips.com>

Rich, Joe:
Thank you very much for the chance to sit down and discuss what you are looking for in a go forward business relationship. We are very interested in continuing these discussions but, do to peoples vacation schedules, will not have a response prior to Thanksgiving. We are scheduling internal meetings for the week of the 28th and will get back with you as soon as possible.

I hope this is acceptable.

Have a great holiday and we'll talk soon.

Cheryl M. Kimball

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-------- Original Message --------
Subject: Merrill
Date: Thu, 01 Dec 2005 08:03:27 -0500
From: Richard A. Rapp Jr. <rrapp@keyspanenergy.com>
Organization: KeySpan
To: Joseph G Pradas <jpradas@keyspanenergy.com>, Stephen A Mc Cauley <smccauley@keyspanenergy.com>, John V Vaughn <jvaughn@keyspanenergy.com>

FYI I am expecting to receive the other proposal this morning.

-------- Original Message --------
Date: Wed, 30 Nov 2005 18:14:42 -0500
From: "Beggins, Chris (MLCI)" <chris_beggins@ml.com>
To: rrapp@keyspanenergy.com

Rich,It's a start.Chris

Mr. Richard Rapp
KeySpan Energy

Re: Proposed Alliance Structure

Dear Rich:

Per your request, the following is an outline of a potential Alliance structure between KeySpan and MLCI for the joint management of the KEDNE asset portfolio:

1) Term: April 1, 2006 through March 31, 2009

2) Assets to be Managed:

- KEDNE Portfolio as currently managed by MLCI under the contract expiring April 30, 2006 (excluding EnergyNorth).
- Managed per the structure of the current contract with respect to operations and reliability. Guaranteed payment and profit sharing of $ per year with KeySpan/ Alliance Net Profits sharing

3) Alliance Structure (2 Options)

- Option 1

  ** Year 1 – MLCI and KeySpan jointly manage KEDNE portfolio. MLCI controls asset management, dispatch and risk management in the same capacity as current contract for the first year.
  ** KeySpan assists in portfolio management decisions while building the physical and trading infrastructure to support direct asset management activities.
  ** MLCI and KeySpan share all Net Profits on a basis.
  ** Year 2 and 3 – MLCI and KeySpan will split the physical management of the KEDNE portfolio – MLCI to focus on Tennessee, Tetco and storage; KeySpan to focus on all other pipelines. Each party will co-develop and manage strategies with MLCI handling financial risk management and storage strategies.
  ** KeySpan will release to MLCI of the KEDNY/LI WSS, Hattiesburg, and other market area storages (per McCauley) to MLCI for the 3 year term. Keyspan will also release transportation on Transco equal to the ratable injection rate to fill each facility to over the Summer Period (April through October) over the term. MLCI will inject and carry such inventory at the first-of-the-month Summer Period index prices or

This indicative terms sheet is subject to Merrill Lynch Commodities, Inc. ("MLCI") management approval and the timely negotiation and execution of definitive written agreements. This indicative terms sheet is not an offer or an agreement. This indicative terms sheet is not intended to be executed in its current form, and the terms herein shall not be binding upon MLCI by your execution, acceptance or reliance on this indicative terms sheet.

Keyspan can elect to pay for injected inventory monthly. MLCI retains all associated storage optionality over the summer period. Over the winter period (November through March), MLCI will provide KeySpan with storage withdrawals as called upon by KeySpan. If MLCI carries the inventory, KeySpan will pay for the storage withdrawals at the summer WACOG plus interest (KeySpan's rate) when withdrawn. MLCI will have secondary storage rights in the Winter Period with no associated transport. If MLCI carries inventory, all net profits will be ' MLCI. If KeySpan carries the inventory, all Net Profits will be shared on a ' MLCI/' KeySpan basis.

- Option 2 – same as Option 1, except assets to be physically managed will be split between KeySpan and MLCI on a to-be-determined basis.

4) Summary – MLCI has great concern over the Alliance's ability to capture comparable returns, dispatch efficiently and perform in times of crisis. Currently, the property rights, risks and rewards, rely solely with MLCI. Under an Alliance, how will critical operations work? We believe the best course of action will be to extend the current agreement for one year and add a clause that we will negotiate in good faith to structure the Alliance in Years 2 and 3.

Sincerely,

Chris Beggins

Cheryl M. Kimball

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-------- Original Message --------
Subject: [Fwd: COP KeySpan Alliance Partnership Letter]
Date: Thu, 01 Dec 2005 11:46:30 -0500
From: Richard A. Rapp Jr. <rrapp@keyspanenergy.com>
Organization: KeySpan
To: Joseph G Pradas <jpradas@keyspanenergy.com>, Stephen A Mc Cauley <smccauley@keyspanenergy.com>, John V Vaughn <jvaughn@keyspanenergy.com>

Here is the Conoco proposal, consistent with our expectations. Let's plan to meet in Hicksville tomorrow morning to discuss next steps with respect to the two proposals.

-------- Original Message --------
Subject: COP KeySpan Alliance Partnership Letter
Date: Thu, 01 Dec 2005 10:29:39 -0600
From: "Brant, Jeffrey R." <Jeff.Brant@conocophillips.com>
To: rrapp@keyspanenergy.com
CC: "Hussey, Will W" <Will.W.Hussey@conocophillips.com>

<<COP KeySpan Alliance Partnership Letter.doc>>
Rich,
Attached please find the written proposal outlining the framework we have been discussing. We appreciate the opportunity and look forward to further discussions regarding an alliance partnership. Please feel free to call me on my cell at 315-380-1029 or Will Hussey at 281-293-2283.

Jeff

ConocoPhillips

ConocoPhillips Gas & Power
5795 Widewaters Parkway #201
Dewitt, NY 13214
(315)453-7353

December 1, 2005

In regards to: ConocoPhillips proposed structure

Richard Rapp
Vice President Energy Transactions
KeySpan
100 East Old Country Road
Hicksville, NY 11801

Dear Richard,

After several meetings with our accounting, trading & risk groups ConocoPhillips (COP) proposes the following structure for an Alliance Partnership with KeySpan for its New England asset base:

- First $ -- eySpan ratepayers.
- Next $ - haring between Alliance Partners (KeySpan/COP) as a cost recovery mechanism.
- > sharing between KeySpan rate payers and Alliance partners.
- The Alliance partnership will utilize the 3 book structure as previously discussed. COP will manage book #2 that will include mark-to-market transactions, and book #3 which will include transactions that involve KeySpan assets but exceed the appetite for risk by KeySpan.
- The initial term will be for 1 year (starting 4/1/06) with "economic threshold option" held by COP to extend the term for an additional 1 year term. This option will also be held in the second year if the initial "economic threshold option" is exercised by COP.
- ConocoPhillips will place staff in the Hicksville, NY KeySpan office for the term of the agreement.
- Canadian Assets and LNG Portfolio shall be included in the Alliance partnership.
- The proposal as listed above is subject to ConocoPhillips management and credit approval and does not constitute a binding offer.

ConocoPhillips recognizes that further discussions will be necessary to proceed forward with the above mentioned partnership and appreciates the opportunity to participate in 00008 this process. If you have any questions or comments regarding our offering, I will be in Calgary for the next two days but can be contacted on my cell phone at 315-380-1029, or feel free to contact Will Hussey at 281-293-2283.

Regards,

Jeffrey Brant
Director, Northeast Origination
ConocoPhillips Gas & Power

Cheryl M. Kimball

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-------- Original Message --------
Subject: Visit to ConocoPhillips
Date: Fri, 09 Dec 2005 10:53:39 -0500
From: Joseph Pradas <jpradas@keyspanenergy.com>
Organization: KeySpan
To: Richard Rapp <rrapp@keyspanenergy.com>, John V Vaughn <jvaughn@keyspanenergy.com>, Stephen A Mc Cauley <smccauley@keyspanenergy.com>
CC: Ann Marie Levine <alevine@keyspanenergy.com>

Just a quick note.

I just got off the phone with Jeff Brandt from ConocoPhillips, and the proposed meeting between KSE and them for this coming Tuesday is definitely off. We were hoping to salvage it at the last minute, but its not doable on their part. Jeff will let us know early next week re: the next step from their perspective.

Jeff indicated that they are continuing to work through the deal structuring and accounting issues, targeting to get their energy president, Chris Conway, comfortable with the proposed transaction as soon as possible - Jeff could not be more specific. Jeff seemed optimistic

Joe

Cheryl M. Kimball

Attached are e-mails addressing the MLCI negotiations per the AG's request.

-------- Original Message --------
Subject: [Fwd: RE: KeySpan/ Merrill production storage NomCo]
Date: Tue, 20 Dec 2005 15:11:45 -0500
From: Stephen McCauley <smccauley@keyspanenergy.com>
Organization: KeySpan Energy
To: "Rapp Jr, Richard A" <rrapp@keyspanenergy.com>

chris' comments

-------- Original Message --------
Subject: RE: KeySpan/ Merrill production storage NomCo
Date: Tue, 20 Dec 2005 14:45:49 -0500
From: Beggins, Chris (MLCI)
To: Stephen McCauley

Steve,

Here are my comments:

1) All the WSS and Hattiesburg - released to MLCI for the term

2) KeySpan executes hedges with MLCI; MLCI retains secondary rights to injection, capacity, withdrawal and inventory.

3) Term - 3 years

4) No sharing - guaranteed payment of annually to Keyspan

- OR -

1) All WSS and Hattiesburg - released to MLCI for the term

2) Ratable Summer fill; April thru Oct; FOM index less mmbtu; Secondary storage rights in the Winter

3) Term - 3 years

4) No Sharing - discount on injected volumes to KeySpan ($ annually)

- OR -

1) All WSS and Hattiesburg - released to MLCI for the term

2) KeySpan hedges the Summer/Winter spread each year in any way it sees fit - hedges go thru MLCI. All this value goes to KeySpan.

3) Any upgrade to this value above, created by MLCI thru collaborative strategies (between MLCI and KeySpan - KeySpan controls the primary asset rights) and portfolio synergies will be shared on a ' KeySpan/ MLCI basis.

4) MLCI is willing to negotiate with KeySpan as to what initial positions would go into the KeySpan value bucket.

For all the above,if KeySpan must RFP these structures, MLCI will compete for the business.

3:30 pm (Houston) is good for me.

Thanks,

Chris
-----Original Message-----
From: Stephen McCauley [mailto:smccauley@keyspanenergy.com]
Sent: Tuesday, December 20, 2005 1:20 PM
To: Beggins, Chris (MLCI)
Cc: Rapp Jr, Richard A; Joseph Pradas
Subject: KeySpan/ Merrill production storage NomCo

Chris,

Attached is the NomCo proposal. I am waiting to hear if this type of structure will pass the planning and regulatory approval.

Steve

Cheryl M. Kimball

Below is an e-mail pursuant to AG's Request.

-------- Original Message --------
Subject: [Fwd: RE: KeySpan/MLCI Alliance]
Date: Thu, 29 Dec 2005 14:15:38 -0500
From: Stephen McCauley <smccauley@keyspanenergy.com>
Organization: KeySpan Energy
To: "Rapp Jr, Richard A" <rrapp@keyspanenergy.com>, coachrapp@aol.com

Rich,

Looks like we are free to manage unencumbered. He also said his hard trigger for Nomco will be $ but he has to get upper management approval before he forwards officially.

Steve

-------- Original Message --------
Subject: RE: KeySpan/MLCI Alliance
Date: Thu, 29 Dec 2005 13:23:43 -0500
From: Beggins, Chris (MLCI)
To: Stephen McCauley

I agree with this assessment

-----Original Message-----
From: Stephen McCauley [mailto:smccauley@keyspanenergy.com]
Sent: Thursday, December 29, 2005 12:08 PM
To: Beggins, Chris (MLCI)
Subject: Re: KeySpan/MLCI Alliance

Chris,

I have a concern with your statement "No third party optimization deals or park and loans ar permitted." My understanding of our conversation is that you do not want us to hand over the rights of the field to a third party to have them optimize the field. We currently use "parks or loans" to manage the injections and withdrawals. I believe we agree on the intent of management of the field and we are just having problems with semantics. We should be able to do what ever we want as long as KeySpan is making the decisions on when to inject and when to withdraw and that we do not prohibit your secondary rights. Please confirm.

Hope you had a Merry Christmas.

Happy New Year
Steve

Beggins, Chris (MLCI) wrote:

> Rich,
>
> As you know, I had a number of conversations with Steve yesterday
> about the Alliance. I quickly marked up what he sent over and I want to
> make sure that my intent is not lost in translation. In preparation for
> our 9 am CST call, I thought I would recap MLCI's position.
>
>
> 1) New England
>
> * The intent of the Alliance is to maximize value. There are
> many factors to consider to achieve this goal, but MLCI gains a lot of

> comfort in the Alliance if we memorialize this in any term sheet.
>
> * MLCI will guarantee to KS $ per year in each year over
> the term.
>
> * The Term is three years - April 1, 2006 through March 31, 2009
>
> * On April 1, 2006, KeySpan will reassume control of all assets

> and shall maintain primary responsibility to ensure reliability of
> service to our customers. However, prior to April 1, 2006, KeySpan and
> MLCI will agree on the assets to go into Book 1, Book 2, and Book 3 to
> kick off the agreement.
>
> * All assets and strategies will be jointly managed by KeySpan
> and MLCI. Net profits and losses from the results of strategies in Book
> 1 and 2 will first go to cover the Guaranteed Payment; MLCI will bear
> of all losses in Book 3, while all Book 3 profits will first

> go to the recovery of the Guaranteed Payment and, after recovery, will

> be shared KS/ MLCI. KS can not approve strategies in Book 3
> (due to potential violation of KS internal risk controls). MLCI will be
> under no obligation to perform Book 3 strategies.
>
> * The Alliance will utilize a 3 book structure. KS and MLCI
> will mutually agree on the assets to be posited in Books 1,2, and 3 on

> an opportunity by opportunity basis. MLCI can not dictate assets to be
> managed by KS; and likewise, KS can not dictate assets to be managed by

> MLCI. Once again, the goal is to create the largest pool of value to be
> shared between KS and MLCI.
>
> ** Book 1 will be released, traded and managed by KS.
>
> ** Book 2 will be released, traded and managed by MLCI.
>
> ** Book 3 will be traded and managed by MLCI. The
> execution of Book 3 strategies will be per the above rules.
>
> * MLCI will provide reports to the satisfaction of KS. Those
> appropriate reports are to be determined. This point is only made to
> optimize the resources of KS and MLCI - not to withhold information from
> KS.
>
> 2) Transco -
>
> * The intent of the Alliance is to maximize value through MLCI
> providing incremental revenue to KS - in other words, KS preserves its

> previous rights and MLCI strives to add value on top of what KS
> already capture. The Alliance only shares in this incremental value.
>
> * MLCI will be agent for or receive a release from KS for
> of the WSS and Hattiesburg storage services. Whether we collectively
> choose release or agency is to be determined. I can not tell one day to
> the next what is the preferred structure of our legal personnel. I

> know Steve has a bias towards agency. At this point, I would like KS to
> have an open mind about this deal point. It may matter, it may not - I
> do not yet know.
>
> * In regards to the FM volumes. I want secondary rights to
> this capability. If we can not release this piece, I understand. I
> should be able to access this latency via agency, since KS can use it.

> As an agent, I am you. Once again, I would like us to keep an open mind
> about this point and defer to a discussion between our legal/regulatory
> people and yours.
>
> * KS will retain full tariff injection, withdrawal, inventory
> and capacity rights associated with the released capacity. MLCI will
> have full secondary rights. KS will be totally unconstrained with
> regard to transactions it chooses to enter into to use its primary
> rights. However, it is time to again talk about intent. The intent is
> to allow KS free ability to use the primary rights and to capture
> incremental value; not to enter into transactions that KS would
> otherwise not enter into in order to minimize or block MLCI's access to
> the secondary rights. Let me get it right out on the table. Your
> consultant used to work with me - let us make sure that we work in

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> alignment and not cross purposes for any reason. Also, the KS/MLCI
> Alliance are the only parties in these assets. No third party
> optimization deals or park and loans are permitted. KS takes its first
> swipe at the apple, MLCI gets the peelings and hopes to turn these
> rights into a meal with out compromising reliability or service rights
> to the ratepayers.
>
> * MLCI will effectuate KS activity at the SAG point or in field

> unless otherwise agreed to within the Alliance. If it makes more
> economic sense to transact at Sta. 65 or another point and this action

> does not inhibit KS primary strategies or reliability, than KS should do
> it.
>
> * Net profits will be shared on a MLCI/ KS basis.
>
> * Counterparty execution. when we last talked, I assumed that
> Steve put his positions on financially, however, he executes his
> strategies physically. That is fine with me; however, I would like the
> first look at these trades. You do not have to transact with me if my
> price is out of market or we do not show you an offer - but I want the
> first chance to fill the order. I also would like to know your
> anticipated and actual utilization schedule and positions. You are not
> bound to live by any anticipated schedule.
>
> * Reporting will be satisfactory to KS, but optimum.
>
> * the Term is for 2 years.
>
>
>
> I look forward to our discussion.
>
>
> Thanks,
>
> Chris
>
>
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>
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>
>
> --

> --
> --

Cheryl M. Kimball

Below is an e-mail pursuant to AG's Request.

-------- Original Message --------
Subject: Mass. Gas Portfolio - Accounting/Structuring Issues
Date: Thu, 10 Nov 2005 14:39:03 -0500
From: Joseph Pradas <jpradas@keyspanenergy.com>
Organization: KeySpan
To: Scott D Vonderheide <svonderheide@keyspanenergy.com>, JOSEPH MARRESE <jmarrese@keyspanenergy.com>, Stephen A Mc Cauley <smccauley@keyspanenergy.com>, "Michael W. Wald" <mwald@keyspanenergy.com>, Fred Yam <fyam@keyspanenergy.com>, Pete Mitchko <pmitchko@keyspanenergy.com> CC: Richard A Rapp Jr <rrapp@keyspanenergy.com>

A meeting has been scheduled for Thursday, Nov. 17 at 9:00AM, in Conf. Rm. 2242 at MetroTech, to review the accounting/structuring issues relative to the proposed alliance with a third party re: management of the Mass. gas portfolio. (Note: Joe Marrese will be out of town M/T/W of next week). Your attendance is critical to successfully addressing these issues.

As most of know, we're currently discussing an alliance structure for the management of these assets with a third party, and we want to make sure that we are aligned from an accounting and compliance perspective as these negotiations move forward.

In general terms, the approach which we are looking to follow as we address (and bring to closure) these issue is: a) Steve McCauley is going to put together an example of a transaction that would go into each one of the books (3) which we are contemplating using to track transactions related to the Mass. portfolio; b) at the upcoming meeting we will review/discuss the deals and make sure that everyone has a clear understanding of the issues related to them, including any mark-to-market and earnings volatility issues; c) the next step would be for us to meet with Joe Hajjar and Teri Balog and get their sign off; and, d) meet with Deloitte to get their sign off. These steps plus whatever else the team feels is necessary needs to be completed ASAP so that the discussions with the third party are properly aligned. In addition to Joe H. and Teri B. other officers will be briefed, as deemed necessary.

Joe

PS Breakfast will be served.

Cheryl M. Kimball

Below is an e-mail pursuant to AG's Request.

-------- Original Message --------
Subject: Mass. Gas Portolio - Meeting w/ ConocoPhillips
Date: Fri, 11 Nov 2005 12:18:53 -0500
From: Joseph Pradas <jpradas@keyspanenergy.com>
Organization: KeySpan
To: Richard Rapp <rrapp@keyspanenergy.com>, Ann Marie Levine <alevine@keyspanenergy.com>

A meeting with ConocoPhillips has been scheduled for Thursday, 11/17, at 2pm. Location TBD (Hicksville or MetroTech).

Joe

Cheryl M. Kimball

Below is an e-mail pursuant to AG's Request.

-------- Original Message --------
Subject: ConocoPhillips Contact List for Keyspan
Date: Fri, 02 Dec 2005 17:16:31 -0600
From: "Hussey, Will W" <Will.W.Hussey@conocophillips.com>
To: "Rapp Richard (E-mail)" <rrapp@keyspanenergy.com>
CC: "Allison, James C." <james.c.allison@conocophillips.com>, "Hazel, Carolyn S. (LDZX)" <Carolyn.S.Hazel@conocophillips.com>, "Poulter, Carole W." <Carole.W.Poulter@conocophillips.com>, "Wagner, Andrew D." <Andrew.D.Wagner@conocophillips.com>, "Brant, Jeffrey R." <Jeff.Brant@conocophillips.com>

Contacts Attached:
Jim Allison - Risk
Carolyn Hazel - Legal
Andy Wagner - Derivative Accounting
Carole Poulter - Accounting
Jeff Brant - Deal Negotiations

Cheryl M. Kimball

Below is an e-mail pursuant to AG's Request.

-------- Original Message --------
Subject: Beggins
Date: Mon, 19 Dec 2005 11:11:33 -0500
From: Stephen McCauley <smccauley@keyspanenergy.com>
Organization: KeySpan Energy
To: "Rapp Jr, Richard A" <rrapp@keyspanenergy.com>

Rich,

I had a discussion with Chris this morning, Chris and I both have a little more homework. We plan to talk later in the day. I need to discuss our conversation when you get a chance.

Steve

Cheryl M. Kimball

Below is an e-mail pursuant to AG's Request.

-------- Original Message --------
Subject: [Fwd: RE: deals]
Date: Wed, 21 Dec 2005 16:50:16 -0500
From: Stephen McCauley <smccauley@keyspanenergy.com>
Organization: KeySpan Energy
To: "Rapp Jr, Richard A" <rrapp@keyspanenergy.com>

Chris comments are in red.
Call Chris tomorrow at 10:00am eastern time
713-544-7761

-------- Original Message --------
Subject: RE: deals
Date: Wed, 21 Dec 2005 16:05:11 -0500
From: Beggins, Chris (MLCI)
To: Stephen McCauley

Here you go

-----Original Message-----
From: Stephen McCauley [mailto:smccauley@keyspanenergy.com]
Sent: Wednesday, December 21, 2005 2:54 PM
To: Beggins, Chris (MLCI)
Subject: deals

<u>New England Alliance</u>

- Merrill Lynch guarantees $ KeySpan ratepayers.
- For profit margins exceeding $ sharing between KeySpan and Merrill Lynch (After recovery of GP Payment except Book 3)
- Effective April 1, 2006 KeySpan will reassume control all assets and shall maintain primary responsibility to ensure reliability of service to our customers.
- All assets and strategies will be jointly managed by the KeySpan and Merrill Lynch.
- The Alliance partnership will utilize a 3 book structure. (Book 1 and 2 assets to be mutually agreed to by parties) Book #1 will be transactions and assets managed by KeySpan. Merrill Lynch will manage book #2 (strike) transactions, and the assets necessary to back these transactions. Book #3 will be transactions managed by Merrill Lynch that involve KeySpan assets but exceeds KeySpan's risk tolerance.
- KeySpan will manage the trading and scheduling of the assets retained in book #1.
- KeySpan will release or assign assets to Merrill Lynch, as necessary, to execute book #2 and possibly book #3 transactions to enhance the value of the portfolio. KeySpan and Merrill must agree on all Book #2 transactions. Based upon KeySpan's risk profile, KeySpan will not authorize transactions in Book #2 that have violate KeySpan risk controls...any speculative component.

Therefore, there shall be a de minimus risk of loss for any transaction in Book #2.

- The term will be for 2 or 3 years starting April 1, 2006.
- All Books will have the same   sharing and will be settled at the end of each year. Subject to value againsts GP
- Merrill Lynch will provide appropriate reports to KeySpan of all book #2 and book #3 activities for inclusion in KeySpan's risk reporting and transaction management system.

Cheryl M. Kimball

Below is an e-mail pursuant to AG's Request.

-------- Original Message --------
Subject: KeySpan Alliance proposal
Date: Tue, 20 Dec 2005 11:25:12 -0500
From: Stephen McCauley <smccauley@keyspanenergy.com>
Organization: KeySpan Energy
To: "Beggins, Chris (MLCI)" <chris_beggins@ml.com>
CC: "Rapp Jr, Richard A" <rrapp@keyspanenergy.com>, Joseph Pradas <jpradas@keyspanenergy.com>

Chris,

Attached is a draft proposal for an alliance structure for the NE portfolio. Rich will be sending an official proposal later in the day but I wanted to give you the opportunity to give some final comments. I will also send shortly the proposal for a NomCo structure centered around NY held production area storages. Rich would like to know if you are available to discuss this at 3:30 EST today.

Steve

Draft

December 20, 2005

Chris Beggins
Merrill Lynch Commodities Inc.

Subj: KeySpan Energy Delivery New England Portfolio Alliance

Dear Chris,

KeySpan proposes the following structure for an Alliance with Merrill Lynch for KeySpan's Massachusetts assets:

- Merrill Lynch guarantees $ KeySpan ratepayers.
- For profit margins exceeding $ sharing between KeySpan and Merrill Lynch.
- Effective April 1, 2006 KeySpan will reassume control all assets and shall maintain primary responsibility to ensure reliability of service to our customers.
- All assets and strategies will be jointly managed by the KeySpan and Merrill Lynch.
- The Alliance partnership will utilize a 3 book structure. Book #1 will be transactions and assets managed by KeySpan. Merrill Lynch will manage book #2 that will include mark-to-market transactions, and the assets necessary to back these transactions. Book #3 will be transactions managed by Merrill Lynch that involve KeySpan assets but exceeds KeySpan's risk tolerance.
- KeySpan will manage the trading and scheduling of the assets retained in book #1.
- KeySpan will release or assign assets to Merrill Lynch, as necessary, to execute book #2 and possibly book #3 transactions to enhance the value of the portfolio.
- The term will be for 2 years starting April 1, 2006 with KeySpan having the option to extend for 1 additional year.
- Merrill Lynch will provide daily reports to KeySpan of all book #2 and book #3 activities for inclusion in KeySpan's risk reporting and transaction management system.

I look forward to speaking with you to finalize our agreement of this alliance.

Richard A. Rapp

Cheryl M. Kimball

-------- Original Message --------
Subject: [Fwd: Confidential - Draft Term Sheet]
Date: Mon, 06 Mar 2006 17:43:33 -0500
From: Richard Rapp <rrapp@keyspanenergy.com>
Organization: KeySpan
To: Tom O'Neill <toneill@keyspanenergy.com>

Emails from my sent folder addressing the AG's information request.

-------- Original Message --------
Subject: Confidential - Draft Term Sheet
Date: Wed, 19 Oct 2005 11:29:25 -0400
From: Richard Rapp <rrapp@keyspanenergy.com>
Organization: KeySpan
To: Joseph Bodanza <jbodanza@keyspanenergy.com>, Ronald Lukas <rlukas@keyspanenergy.com>

Joe/Ron
Unfortunately, the first time we could get together is after tomorrow's RMC meeting. Attached is the Proposed Term Sheet that I will be sending to the RMC later today for their review approval to move with discussions with Merrill and Conoco/Philips, the two highest bidders, on their receptiveness to an alliance. If you have any proposed changes to the Term Sheet, please reply as soon as possible. I will be distributing by early afternoon. Otherwise, we can discuss during the RMC meeting. We can use our meeting for tomorrow afternoon to discuss regulatory and negotiation strategy assuming the RMC authorizes us to go forward. Thanks for your continued assistance. Rich

CONFIDENTIAL

KeySpan's Massachusetts Natural Gas Portfolio
<u>Proposed Terms for Strategic Alliance</u>

1. Term – April 1, 2006 – March 31, 2007 (KeySpan's option to extend for up to two one-year extensions)

2. Rates - million guarantee to ratepayers followed by sharing between ratepayers and portfolio manager above $

3. Physical Portfolio – KeySpan will manage, trade and schedule all physical transactions in consultation with Alliance Partner. The physical transactions will be reflected in a KeySpan Book (Book I).

4. Financial Portfolios – There will be two financial portfolios whereby monthly earnings volatility will be borne by the Alliance Partner. All financial transactions that are approved by KeySpan will be included in an Alliance Book (Book II). All financial transactions that KeySpan deems inappropriate for the Alliance Book will be managed and held in a Partner Book (Book III).

5. The earnings from all three Books will be accumulated to fund the ratepayer guarantee and for purposes of sharing between ratepayers and portfolio manager, except that ratepayers and KeySpan will not share in net losses from Book III.

6. To ensure that there are not conflicting interests among the three Books, the margins of each Book will be shared between KeySpan and Alliance Partner, after funding the ratepayer guarantee and subsequent sharing with ratepayers, on an identical basis. KeySpan's share of each Book will be no less than of the portfolio manager's share.

7. Financial transactions can have Alliance Partner as counterparty with KeySpan approval.

8. KeySpan and Alliance Partner each bear responsibility for of the ratepayer guarantee.

9. Transaction and Origination strategies will be developed jointly for both the physical and financial portfolios by KeySpan and Alliance Partner.

10. Alliance Partner will provide an experienced trader, scheduler and origination specialist in KeySpan's offices to work with KeySpan personnel. This will facilitate knowledge transfer between KeySpan and Alliance Partner in furthering the objectives of the Alliance.

11. To minimize KeySpan's working cash and credit requirements, the Alliance will utilize the resources of Alliance Partner wherever practicable.

12. All physical and financial transactions must be detailed through entry into KeySpan's Risk Reporting and Management system (Nucleus) as required by KeySpan's finance, regulatory, legal and risk management organizations.

13. The Alliance is not an exclusive relationship and both KeySpan and Alliance Partner retain the right to transact outside of the Alliance.

Cheryl M. Kimball

-------- Original Message --------
Subject: [Fwd: [Fwd: Massachusetts Gas Portfolio]]
Date: Mon, 06 Mar 2006 17:29:22 -0500
From: Richard Rapp <rrapp@keyspanenergy.com>
Organization: KeySpan
To: Tom O'Neill <toneill@keyspanenergy.com>

Emails from my sent folder addressing the AG's information request.

-------- Original Message --------
Subject: [Fwd: Massachusetts Gas Portfolio]
Date: Fri, 27 Jan 2006 13:39:24 -0500
From: Richard Rapp <rrapp@keyspanenergy.com>
Organization: KeySpan
To: Stephen A Mc Cauley <smccauley@keyspanenergy.com>, Elizabeth Danehy Arangio <earangio@keyspanenergy.com>, jpradas@keyspanenergy.com, "Cynthia R. Clark" <cclark@keyspanenergy.com>, Richard A Visconti <rvisconti@keyspanenergy.com>, Scott Vonderheide <svonderheide@keyspanenergy.com>, "Terrence P. Kain" <tkain@keyspanenergy.com>, mleippert@keyspanenergy.com, JOSEPH MARRESE <jmarrese@keyspanenergy.com>, Pete Mitchko <pmitchko@keyspanenergy.com>, Fred Yam <fyam@keyspanenergy.com>, "BROOKS, CECIL" <cbrooks@keyspanenergy.com>, "Nancy G. Culliford" <nculliford@keyspanenergy.com>, "Papetti, Dino C" <dpapetti@keyspanenergy.com>, Thomas C Marinace <tmarinace@keyspanenergy.com>, Richard F Kunz <rkunz@keyspanenergy.com>, "FEINSTEIN, Jennifer B" <jfeinstein@keyspanenergy.com>, "ONeill, Thomas P" <toneill@keyspanenergy.com>, Maria E Stateman <mstateman@keyspanenergy.com>, jmetress@keyspanenergy.com

Folks:
This following e-mail went out to senior management last night notifying them of the completion of our deal with Merrill. In reply, Mr. Catell extended his congratulations to all involved. Thank you for your assistance in bringing this Agreement to execution. Rich

-------- Original Message --------
Subject: Massachusetts Gas Portfolio
Date: Thu, 26 Jan 2006 17:32:14 -0500
From: Richard Rapp
Organization: KeySpan
To: Robert B. Catell , Robert J Fani
, Wallace P. Parker Jr

00030

, Gerald Luterman
, John A Caroselli
, John J. Bishar, Jr.
, Nickolas Stavropoulos
, Michael J. Taunton
, ELAINE WEINSTEIN
, Theresa A Balog
, Lawrence S Dryer
CC: Steven Zelkowitz , Joseph Bodanza
, Ronald Lukas ,
Michael A Walker

A few moments ago, we completed extensive negotiations and reached agreement with Merrill Lynch for asset optimization services for our Massachusetts (MA) natural gas portfolio. Consistent with the authorization received from Risk Management Committee in the fall of 2005, the Agreement extends for three years the KeySpan-Merrill relationship that expires on March 31, 2006 and affects a partial in-source of our MA assets by KeySpan's Energy Transactions Organization (ETO). In the next few days, our Regulatory Affairs group will be filing the Agreement, together with supporting testimony, seeking the approval of the MA DTE.

<>More specifically, under the Agreement, KeySpan will reassume control of the MA natural gas portfolio on April 1, 2006. Prior thereto, the ETO and Merrill will collaborate on portfolio management strategies to optimize its value for the contract year. Certain contracts and assets will be retained by ETO to manage the procurement and delivery of gas, as well as to optimize such assets pursuant to FAS-133 hedge accounting rules, and certain contracts and assets will be released to Merrill to manage the procurement and delivery of gas, as well as to optimize such assets employing transactions that do not qualify for hedge accounting. The joint management of the portfolio is designed to be a win-win-win for customers, KeySpan and Merrill. <>

Implicit in the approval of the Agreement, is the approval of the inherent ratemaking treatment. This Agreement is a win for customers because: (i) customers will be billed under the same tiered pricing structure that is in place today; (ii) customers will enjoy the same $4.0 million guarantee that presently exists; (iii) customers will continue to receive 50% of the portfolio value above $4.0 million, with greater protection from portfolio losses, and without having to share a portion of their 50% with KeySpan under the bucket system that exists today; and (iv) customers will enjoy a greater assurance of reliability of supply now that ultimate control of the assets is back in KeySpan's hands (contrary to the risks endured when El Paso declared bankruptcy and defaulted on the prior agreement). Moreover, customers will enjoy greater reliability now that KeySpan is committed to developing greater expertise and familiarity with the MA supply portfolio within the ETO. To demonstrate to the MA DTE that

KeySpan has "skin-in-the-game," we are assuming the risk for $2.0 million of the $4.0 million customer guarantee. In addition, KeySpan' filing does not request specific rate cost recovery for the front, middle and back office personnel that will need to be added to in-source a portion of the MA portfolio (as well as to in-source the New Hampshire (NH) portion of the New England portfolio as directed by the NH PUC). <>

The Agreement is a win for KeySpan because it enables our shareholders to enjoy fifty percent of the asset managers' share of the portfolio's value above $4.0 million. At the same time, ETO will be further developing its asset optimization capabilities and will be poised to in-source the entire MA portfolio, if desirable, at the conclusion of the three year term. Moreover, this structure creates a model that, when successful, may be applied to our New York gas portfolio of assets. The ETO's development of enhanced asset optimization capabilities, the demonstration of an efficient rate tier structure for customers, and the demonstrated experience of partnering to increase customer value through portfolio optimization, may pave the way to persuade the NY PSC to adopt this structure for our New York LDCs. When applied to our larger NY gas asset portfolio, there will be a much greater potential for increased shareholder earnings. <>

Likewise, the Agreement is a win for Merrill because it extends the KeySpan relationship, including the opportunity to share the value of the MA portfolio, reduces their guarantee risk by half, frees up a portion of their resources and capital previously committed to this portfolio for other opportunities. Further, a successful and growing relationship with KeySpan may open the door to opportunities for Merrill to provide asset optimization services in New York. <>To illustrate the agreement's sharing formula, if the collaborative efforts of KeySpan and Merrill generate a total portfolio value of $14 million dollars (a fairly realistic target), customers would receive $5 million (50% of $10m), in addition to the $4 million minimum guarantee, and KeySpan and Merrill will each receive $2.5 million as a fee for the asset optimization services. <>

Finally, many KeySpan personnel have contributed a great deal to the successful achievement of this Agreement with Merrill, which began with the issuance of an RFP in the Summer 2005. Despite the risk of inadvertently leaving someone out, they include: Joe Bodanza, Ron Lukas, Steve McCauley, Liz Arangio, Joe Pradas, Cindy Clark, Rich Visconti, Mike Walker, Scott Vonderheide, Terry Kain, Mark Leippert, Joe Marrese, Pete Mitchko, Fred Yam, Cecil Brooks, Nancy Culliford, Dino Papetti, Tom Marinace, Rich Kunz, Jennifer Feinstein, Tom O'Neill, Maria Stateman and John Metress. In addition, the contributions of Cheryl Kimball of the Keegan Werlin firm, Dave Modesett of Vega Consulting, and Andy Rea of PA Consulting were likewise critical to achieving a successful result.

FIRST SET OF INFORMATION REQUESTS OF
THE ATTORNEY GENERAL
TO KEYSPAN ENERGY DELIVERY NEW ENGLAND

D.T.E. 06-9

Redacted Response

Dated: March 9, 2006
Respondent: Elizabeth D. Arangio

Information Request AG 1-8

Q. Please provide in complete detail the auditing methods used to review the amount of revenue subject to margin sharing for the past 5 years and provide the supporting accounting data. Include the breakdown of the amount split between customers and the Company and the dates that the customers received their allocation. Provide all supporting assumptions, calculations, and work papers. If none has been done, please explain.

A. In the fall of 2004, the Company contracted with PriceWaterhouseCoopers (PWC) to conduct a risk-management assessment and accounting review related to the Company's Massachusetts and New Hampshire Gas Resource Portfolio Agreements with Entergy Koch Trading LP (the predecessor to MLCI). A confidential audit report from PWC dated November 12, 2004 is attached.

The table below provides the breakdown of the revenues generated through the existing outsourcing arrangement with MLCI beginning in November 2000 through the latest full contract year. The customers received their allocation of revenue in the Company's annual peak period reconciliation for the respective year.

Asset Manager	Period	Customer Fixed Payment	Customer Share of Excess Revenues	Total Customer Benefit	KeySpan Earnings
El Paso 1/	11/00 - 10/01				
El Paso	11/01 - 10/02				
Merrill 2/	11/02 - 03/03				
Merrill	04/03 - 03/04				
Merrill	04/04 - 03/05				
	TOTAL:				

1/ No profit sharing above guarantee payment w/El Paso.
2/ Contract term only partial year (five months).

Please note that this response contains confidential information covered by the Motion for Confidentiality that was granted by the Department on February 27,

2006. Attachment AG 1-8 (the PWC audit) is not covered by the Motion for Confidentiality granted on February 27, and therefore, the Company has submitted a supplemental motion covering this attachment with today's filing. The Company has provided a copy of the confidential version to the Department and the Attorney General (pursuant to a confidentiality agreement).

FIRST SET OF INFORMATION REQUESTS OF
THE ATTORNEY GENERAL
TO KEYSPAN ENERGY DELIVERY NEW ENGLAND

D.T.E. 06-9

Dated: March 9, 2006
Respondent: Elizabeth D. Arangio

Information Request AG 1-9

Q. Explain KeySpan's plan to audit the determination of the net profits and therefore aggregate margin and allocation of the aggregate margin? If there has been an audit or one is planned, please provide a copy of the final audit report (when available) or explain why no audit is planned if none is planned.

A. Article IX of the Agreement identifies the reporting activity that is required under the contract. This provision states as follows:

ARTICLE IX
REPORTING AND RECONCILIATION OF ACCOUNTS

Monthly Reports. Buyer and Seller shall jointly review each Book monthly. Buyer and Seller shall provide written reports to the other concerning MLCI Book 1 and MLCI Book 2 no later than five (5) Business Days after the end of each Month calculating all realized gains and losses for each such Book. Buyer shall provide written reports to Seller concerning the KeySpan Utilities Book no later than five (5) Business Days after the end of each Month calculating all realized gains and losses for each such Book which shall be based on accrual accounting procedures. With regards to the forgoing reports regarding the KeySpan Utilities Book, the MLCI Book 1 and the MLCI Book 2, such reports that are generated at the end of a calendar quarter, shall be provided no later than two (2) Business Days thereafter.

Daily Reports. Subject to the limitations of Section 2.2, Buyer and Seller shall exchange reports at the start of each Business Day detailing on a per transaction basis all activity with respect to each Book conducted during the prior Day.

This provision will ensure that KeySpan is fully apprised of all transactions entered into under the Agreement. In addition, the Company may choose, at any time, to initiate an audit of the transactions undertaken as part of the arrangement (as it has in the past). However, at this point in time, it is premature for the Company to predetermine the need for and timing of an audit because the Agreement has not yet even commenced.

FIRST SET OF INFORMATION REQUESTS OF
THE ATTORNEY GENERAL
TO KEYSPAN ENERGY DELIVERY NEW ENGLAND

D.T.E. 06-9

Dated: March 9, 2006
Respondent: Elizabeth D. Arangio

Information Request AG 1-10

Q. Please describe KeySpan's in-house capability for management of KeySpan's New York resource portfolios and provide the number of employees employed, job specifications and duties, and salaries of employees responsible for management of those resource portfolios.

A. KeySpan's New York gas-resource portfolio is managed by the Regulated Gas Transactions Group. This Group is a skilled trading group that is actively involved in the marketplace on a daily basis in relation to the New York resource portfolio. As stated in the testimony of Ms. Arangio, this Group can "backstop" management of the New England portfolio on an interim basis in the event of a contingency event. However, to manage the New England portfolio on a permanent or long-term basis, additional technical resources and qualified staff must be trained and dedicated to the New England portfolio. Attachment AG 1-10(a) contains a brief biography of the key members of the NY team. Attachment AG 1-10(b) provides the number of employees employed, job title, and salary ranges of the employees responsible for management of Company's New York and Long resource portfolios, as well as the groups that support the Transactions Group (i.e., Mid-Office, Back-Office and Planning).

KeySpan Biographies

Mark Leippert

Mark Leippert is director of regulated gas transactions for KeySpan Utility Services ("KUS"). He is responsible for directing the regulated activities of the gas transactions team including gas purchasing, off-system sales and scheduling for KeySpan Energy Delivery's New York (KED-NY) and Long Island (KED-LI) customers and the electric generation assets dedicated to the Long Island Power Authority (LIPA). He was named to his present position in 2005. Previously, he served as manager of gas supply for KUS since 1997 and supervisor of gas supply management for the Long Island Lighting Company (LILCO) in 1996.

Mark joined the company in 1986 as a gas supply engineer and subsequently served in positions of increasing responsibilities for LILCO. He was promoted to supervisor of gas supply economics in 1992 where he was responsible for the company's gas supply economic activities including gas supply and pipeline price forecasting, preparing various economic analyses, supervising and coordinating the company's regulatory activities before FERC and supporting certain matters before the NYPSC. Mark received his Bachelor of Science degree in chemical engineering in 1982 from the University of Tulsa.

Richard Kunz

Rich Kunz is manager of gas supply for KUS. He is responsible for managing the regulated activities of the gas supply team including gas purchasing and off-system sales for KED-NY and KED-LI customers and the electric generation assets dedicated to the Long Island Power Authority (LIPA). He was named to his present position in 2004. Prior to joining KeySpan, Rich worked as a Northeast Natural Gas Trader for Coral Energy. While with Coral, he acted as the main trading liaison for the KeySpan/Coral Alliance. Rich recently completed his master of business administration in finance from Hofstra University and received his Bachelor of Science degree in business administration in finance in 1994 from Shippensburg University.

John Metress

John Metress is manager of gas scheduling for KUS. He is responsible for managing the regulated activities of the gas scheduling team for KED-NY and KED-LI customers and the electric generation assets dedicated to LIPA. He was named to his present position in 2004. Previously, John served as a lead trader and lead scheduler of gas supply for KUS since 1999. Prior to that, he held positions of increasing responsibility within KeySpan and LILCO as an engineer in gas supply management, gas supply economics and independent power management since 1990. John received his Bachelor of Science degree in mechanical engineering in 1990 from the New York Institute of Technology.

Stephen McCauley

Stephen McCauley is the Director of Origination in the KeySpan Energy Transaction organization. As Director, he is responsible for proposing and managing the execution of hedging structures for the six KeySpan regulated utilities. He is also responsible for optimizing and structuring commodity deals associated with assets held within the regulated entities.

Stephen joined the company in 1992 as an engineer in the gas peak shaving plants and as technical support for the maintenance of the gas regulator and telemetering stations. In 1996 he joined the gas supply group as a gas trader responsible for purchasing the natural gas supply needs for both the firm gas customers and the LILCO generation facilities. In 1999 his responsibilities were changed to manage the emissions allowance portfolio and the financial hedging activities of the regulated utilities. In 1999 he helped start the LIPA fuel hedging program. In 2002 he was promoted to his current level as Director. Stephen received his Bachelor of Science degree in Marine Engineering Systems from the United States Merchant Marine Academy in 1984.

Frank Pan

Frank Pan joined KeySpan in January 2005. He came on board to help manage the natural gas hedging program for KeySpan's regulated utilities and to execute financial strategies related to our gas storage and pipeline assets. Mr. Pan has 13 years of utility industry experience. Prior to joining KeySpan, he was the senior hedge trader in Con Edison's risk management group where his principle responsibility was to manage the company's hedge portfolio.

Mr. Pan earned his Bachelor of Science degree from Case Western Reserve University in Cleveland, Ohio and his MBA in Finance and Investments from City University of NY at Baruch.

Patricia Hoeler – Lead Trader, Gas Supply

Pat is responsible for all daily and monthly trading activities, and coordinating those activities with Scheduling, Operations and Accounting. Pat has five years experience in this position. Prior to her current position, Pat held the position of Analyst in Gas Supply Economics for LILCO and Gas System Operator for LILCO since 1991. Pat received her Bachelor of Science degree in mechanical engineering from Stony Brook University in 1991.

Mark Kulick – Lead Trader, Gas Supply

Mark is responsible for all daily and monthly trading activities and coordinating those activities with scheduling, operations and accounting. Mark has held this position since 2003. Mark joined KeySpan in 1991. Prior to joining KUS, Mark worked as a budget and cost supervisor and scheduling supervisor in gas operations. Mark was employed eleven years as a Senior Logistics Planner for the Grumman Corporation. Mark received his Bachelor of Science degree in business administration from Temple University in 1976.

AJ Poletski Jr – Scheduler, Gas Supply
AJ Poletski Jr. is a natural gas Scheduler/Trader for KUS. He is responsible for the regulated activities within the gas scheduling team for KED-NY and KED-LI customers and the electric generation assets dedicated to LIPA. He was named to his present position in 2005. Previously, AJ served as a field representative in the Gas Business Unit since 2003 and has a working knowledge of the natural gas transmission and distribution system. AJ received his bachelor business administration degree in Finance in 1997 from Dowling College and will soon complete his masters of business administration in finance with Dowling College.

Kirsten Richards – Associate Scheduler, Gas Supply
Kirsten Richards is a natural gas scheduler for KUS. She is responsible for daily and monthly scheduling for KED-NY and KED-LI customers and the electric generation assets dedicated to LIPA. She was named to her present position in 2004. Previously, Kirsten pursued her career in education while teaching Mathematics at North Babylon High School. Kirsten received her Bachelor of Science degree in Mathematics from SUNY at Stony Brook University. Kirsten also completed her Master's in Secondary Education at Dowling College in Oakdale, NY.

Rashi Dahl – Lead Trader, Gas Supply
Rashi has 16 years experience in the utility business. Her current responsibilities include managing LIPA's generation and transmission assets (over 5000 MW). As Electric Trader she is responsible for bidding energy and reserve associated with LIPA's generation assets into the New York Independent System Operator (NYISO). She is also responsible for soliciting, evaluating and scheduling daily, weekly and monthly wholesale power purchase and sale transactions available through the NYISO and other ISO's (NE). She provides regulatory support for transmission issues to LIPA and their consultants.

Rashi started working in the utility business in 1989 with the Corporate Planning Generation Area. While in Corporate Planning she conducted various integrated resource plans, gained knowledge of the transmission system and provided regulatory support. She also worked in the Electric System Operation department and the Electrical Engineering department before joining the Electric Trading organization. She has electric and gas trading experience. She provided support to LIPA in designing the Long Island Choice program.

Rashi received a Master in Business Administration from Hofstra University in 1994 and a Bachelors of Science degree in Electrical Engineering from the New York Institute of Technology in 1988.

Job Title	Number of Positions	Salary Range ($k)
Front-Office:		
Strategic Execution & Compliance Director	1	110 - 130
Gas Trading Director	1	110 - 130
Gas Trading Manager	1	105 - 115
Gas Trader	2	90 - 100
Gas Scheduler	4	45 - 65
Gas Scheduling Manager	1	105 - 115
Gas Origination Director	1	110 - 130
Gas Origination Manager	1	90 - 100
Mid-Office:		
Risk Director	1	110 - 130
Risk Manager	3	105 - 115
Risk Analyst	1	65 - 75
Back-Office:		
Accounting Director	1	110 - 130
Accounting Manager	2	80 - 100
Accounting Senior Analyst	2	65 - 75
Accounting Analyst	2	55 - 65
Planning:		
Gas Planning Director	1	110 - 130
Gas Planning Manager	1	105 - 115
Gas Planning Senior Analyst	1	80 - 100
Gas Planning Analyst	1	55 - 65
TOTAL POSITIONS:	**28**	

FIRST SET OF INFORMATION REQUESTS OF
THE ATTORNEY GENERAL
TO KEYSPAN ENERGY DELIVERY NEW ENGLAND

D.T.E. 06-9

Dated: March 9, 2006
Respondent: Elizabeth D. Arangio

Information Request AG 1-11

Q. Please explain whether or not KeySpan's New York facilities have outside resource portfolio managers.

A. The Company's Long Island and New York resource portfolios are managed in-house by the Company's staff located in its Hicksville, New York office.

FIRST SET OF INFORMATION REQUESTS OF
THE ATTORNEY GENERAL
TO KEYSPAN ENERGY DELIVERY NEW ENGLAND

D.T.E. 06-9

Dated: March 9, 2006
Respondent: Elizabeth D. Arangio

Information Request AG 1-12

Q. Please explain in detail why "[KeySpan] needs to maintain a staff experienced in the day-to-day management and optimization of the Massachusetts operations" and explain why KeySpan New York cannot manage KeySpan's Massachusetts resource portfolios. See Testimony of Elizabeth D. Arangio, page 17, lines 17-19.

A. There are several reasons that it is not possible to simply transfer staff experienced with the New York portfolio for management of the New England portfolio. First and foremost, KeySpan's Massachusetts resource portfolio encompasses over 80 individual contracts. These contracts each have distinct delivery and receipt points, as well as a variety of differing constraints and flexibilities that affect the Company's ability to use a particular resource to meet a particular need on a specific day. As a result, management of the portfolio in a way that ensures reliability, cost-effectiveness and maximum utilization of the available resources requires specific knowledge and experience of the workings of the specific contracts encompassed in the resource portfolio.

FIRST SET OF INFORMATION REQUESTS OF
THE ATTORNEY GENERAL
TO KEYSPAN ENERGY DELIVERY NEW ENGLAND

D.T.E. 06-9

Dated: March 9, 2006
Respondent: Elizabeth D. Arangio

Information Request AG 1-13

Q. Please describe KeySpan's in-house capability for management of its Massachusetts resource portfolio management from 1995 to present and include the number of in-house employees employed to manage the Massachusetts resource portfolio, job titles and descriptions, the number of employees holding each job title, and salaries for 1995-present.

A. KeySpan does not currently possess an in-house capability to manage the Massachusetts resource portfolio (i.e. procurement and scheduling activity) because it has outsourced this function to an independent manager since 1999. Consequently, there are no employees in the positions that would be necessary to perform the functions involved with the "in-house capability." The incremental positions that would need to be filled are outlined in response to Information Request AG 1-14. The positions associated with KeySpan's current internal organization are set forth in response to Information Request AG 1-21.

FIRST SET OF INFORMATION REQUESTS OF
THE ATTORNEY GENERAL
TO KEYSPAN ENERGY DELIVERY NEW ENGLAND

D.T.E. 06-9

Dated: March 9, 2006
Respondent: Elizabeth D. Arangio

Information Request AG 1-14

Q. Please describe KeySpan's plans to develop in-house capacity for management of its Massachusetts resource portfolio and identify the number of employees that it anticipates that KeySpan will add or dedicate to such resource portfolio management. Please state anticipated salaries, and job descriptions of the employees dedicated to resource portfolio management if possible.

A. Over the term of the Agreement, KeySpan plans to develop an in-house capacity for the management of its Massachusetts resource portfolio, which is comparable (on a relative basis) to the organization in place for the New York portfolio. The table below outlines the incremental staffing and associated salary ranges for the positions that will be required to develop in-house capacity for management of the Massachusetts resource portfolio.

Positions Required	Job Title	Band	Salary * Range ($k)
Front Office:			
1	Gas Trader	3b	105 - 115
1	Gas Trader	3a	90 - 100
1	Gas Scheduler	2b	75 - 85
1	Gas Origination Manager	3b	105 - 115
Mid-Office:			
1	Risk Manager	3b	105 - 115
Back-Office			
1	Accounting Analyst	1a/1b/2a	55 - 65
1	Accounting Analyst	1a/1b/2a	55 - 65
7	**Total Number of Position Required**		

* Base on KeySpan Management Compensation Plan's market reference guidelines.

Note:

1. Salary figures do not include the cost of benefits and overhead (approx. 110% of salary).
2. This schedule reflects KeySpan's staffing requirements only.

Attachments AG 1-14(a) through AG 1-14(d) provides job descriptions/qualifications for each position listed in the Table above.

Natural Gas Trader

KeySpan Corporation serves over 2.5 million customers via its regulated gas utilities in New York, Massachusetts, and New Hampshire. Additionally, it controls 6,600 megawatts of generating capacity that provides power to 1.1 million customers of the Long Island Power Authority (LIPA) on Long Island and supplies approximately 25 percent of New York City's capacity needs. In addition to these assets, KeySpan has strategic investments in pipeline transportation, distribution, storage, and production.

POSITION MISSION: Perform natural gas trading activities related to KeySpan's regulated businesses. The Trader will work closely with both planners and schedulers to clearly understand and meet commodity requirements in order to ensure reliable, least cost service for the ratepayer and maximize the performance of the natural gas portfolio. Assist in the development and execution of trading strategies using KeySpan supply, storage, and transportation assets to ensure the delivery of natural gas to KeySpan's customers on a least cost basis.

RESPONSIBILITIES:

- Purchase and sell natural gas for the regulated utilities.
- Maximize value of supply, storage, LNG, and transportation assets.
- Provide summaries of market activity to aid in strategic decision making as requested.
- Work closely with the Gas Schedulers to ensure that all scheduling processes are performed in a timely and accurate manner.
- Provide accurate reporting of position and daily P&L, assist back office reconciliation and settlement efforts.
- Execute transactions in accordance with all risk policies and limits.

QUALIFICATIONS:

- Bachelor's Degree in Economics, Finance, or related field required.
- Minimum 2-3 years of natural gas trading experience required.
- Knowledge of key pipelines serving Northeast markets (e.g. Transco, Algonquin, Iroquois, etc.)
- Understanding of energy derivatives and risk management techniques and measures (e.g. VaR) as well as accounting treatments (e.g., accrual and mark-to-market accounting).
- Strong quantitative skills and understanding of statistical methods and techniques.
- Database management system experience required.
- Outstanding communication skills and ability to work effectively in a team environment.

Deal Structure Analyst, Origination Group

KeySpan Corporation serves over 2.5 million customers via its regulated gas utilities in New York, Massachusetts, and New Hampshire. Additionally, it controls 6,600 megawatts of generating capacity that provides power to 1.1 million customers of the Long Island Power Authority (LIPA) on Long Island and supplies approximately 25 percent of New York City's capacity needs. In addition to these assets, KeySpan has strategic investments in pipeline transportation, distribution, storage, and production.

POSITION MISSION: Assist in the analysis and development of energy commodity and associated logistics contracts such as transportation and storage to support management of the New York (NY) and New England (NE) portfolios. Analyze contract opportunities, evaluate market intelligence and provide regular updates for the Director, Originations. Assist in the formulation of natural gas trading strategies to ensure reliability and optimize the value of the NY and NE portfolios.

RESPONSIBILITIES:

- Evaluate sources of market and other forms of intelligence to facilitate identification and development of monthly, seasonal and long-term power, natural gas and oil contracts.
- Coordinates with representatives from the Planning function to assess demand and supply forecasts and potential resource needs.
- Assist the in the formulation of contracting strategies around parameters of cost, risk, supply diversification, market liquidity, term, fuel type, location, etc.
- Evaluate commercial terms of contracts and structures, including sources and value of optionality.
- Evaluate off-system sales opportunities to further enhance the KeySpan portfolio as specified by the Director, Origination.
- Outline and summarizes contract requirements for use in strategy development, including transportation, storage and other logistical requirements.

QUALIFICATIONS:

- Bachelor's Degree, with quantitative coursework in Finance, Economics, or related fields required.
- Minimum 1-3 years of experience in the natural gas industry and knowledge of energy markets preferred.
- Understanding of energy derivatives and their application to physical and financial energy markets.
- Knowledge of energy risk management terms and techniques.
- Mastery of Microsoft Excel is required. Computer modeling and programming experience is preferred.
- Outstanding communication skills, both oral and written.
- Professional demeanor and ability to work effectively in a team environment.

New England In-Sourcing

Manager Position for Middle Office

POSITION MISSION: The position will identify, measure, monitor, and report commodity market risks, including price, basis, and volumetric risks, associated with physical and financial positions.

RESPONSIBILITIES include but are not limited to:

1. Develop methodology to track proxy pricing (determines how much customers are charged for gas).
2. Coordinate review of new transaction strategies that will be done on KeySpan books.
3. Ensure appropriate contracts are in place to support transactions; coordinate with front office, credit ops and legal.
4. Monitor and report on compliance/risk metrics associated with approved strategies.
5. Develop and implement internal and external reporting requirements including valuations, risk metrics, effectiveness testing for FAS133, etc.
6. Oversee risk controls related to transactions executed by KeySpan, including valuations, pricing and general risk system (Nucleus) administration.
7. Assist in developing process for determining which transactions are assigned to Merrill Lynch book 1 and book 2.
8. Monitor/review transactions executed by Merrill Lynch.

KeySpan Management Job Profile

Job Position Title: Analyst
Geographic Location: Hicksville
Job Band: 1A/1B/2A (to be determined by HR-Compensation Dept)

Organization:	KeySpan Energy Trading Services
Job Summary:	Gas Billing Accountant responsible for the initial review & settlement of all gas commodity invoicing provided by pipelines and suppliers. Responsibilities include timely analysis and resolution of invoice-related discrepancies and support other organizations in recording appropriate gas costs on KeySpan financial statements.
Competencies:	Creating Value for Customers and Clients ✓ Results Orientation ✓ Valuing Diversity Collaborating with Colleagues ✓ Adaptability ✓ Developing Self Technical Ability ✓ Managing Teams Promoting and Leading Change Developing Others Bachelor's Degree in Accounting, Business, Economics Experience not necessary for candidate with Accounting degree.
Reporting Relationships:	New position required to perform a function not currently performed by KeySpan.
Accountability:	Operating Budget Responsibilities Capital Budget Responsibilities

FIRST SET OF INFORMATION REQUESTS OF
THE ATTORNEY GENERAL
TO KEYSPAN ENERGY DELIVERY NEW ENGLAND

D.T.E. 06-9

Dated: March 9, 2006
Respondent: Elizabeth D. Arangio

Information Request AG 1-15

Q. Please describe any cross-training that will occur between KeySpan Corporate Services LLC's (KSCS) New York Facilities and KeySpan's Massachusetts Facilities (Boston Gas Company, Essex Gas Company, and Colonial Gas Company) for the development of in-house capacity to manage KeySpan's resource portfolio for its Massachusetts Facilities and state whether cross-training would be feasible if none is planned.

A. Since the Fall of 2005, the Company's New York and New England groups have been working very closely to coordinate the transition of management of the portfolio to the New York office. The Planning and Customer Choice staff currently housed in the New England office will continue to be responsible for performing the activities it is responsible for today. However, instead of speaking with Merrill on a daily basis, the Planning and Customer Choice staff of New England will be mainly be coordinating with the Company's New York staff.

FIRST SET OF INFORMATION REQUESTS OF
THE ATTORNEY GENERAL
TO KEYSPAN ENERGY DELIVERY NEW ENGLAND

D.T.E. 06-9

Dated: March 9, 2006
Respondent: Elizabeth D. Arangio

Information Request AG 1-16

Q. Please state whether or not KeySpan intends to manage its resource portfolio for its Massachusetts Facilities using its in-house capacity that it will develop after expiration of the contract with MLCI, dated January 26, 2006.

A. KeySpan has not made any determination regarding the structure of the asset management and asset optimization services in the future. If the Asset Optimization agreement pending before the Department in this case is approved, KeySpan will work over the next three years to develop an in-house capability necessary to ensure the reliability of the resource portfolio. At the same time, the Company recognizes that significant value is derived for customers through the interaction with an independent asset manager with a higher level of risk tolerance. Therefore, the Company anticipates that it will evaluate a number of factors at the time the Agreement is due to expire in 2009 to determine whether it makes sense to continue to partner with an asset manager. These factors would include, among other considerations, the type and availability of asset-management services in the marketplace, prevailing market conditions and resource considerations, as well as the potential benefit to be derived for customers through the arrangement.

FIRST SET OF INFORMATION REQUESTS OF
THE ATTORNEY GENERAL
TO KEYSPAN ENERGY DELIVERY NEW ENGLAND

D.T.E. 06-9

Dated: March 9, 2006
Respondent: Elizabeth D. Arangio

Information Request AG 1-17

Q. State whether KeySpan believes that it should seek additional training for the staff that it will hire or assign to resource portfolio management outside the agreement with MLCI, and describe any additional training, and provide the reasoning supporting the need for added training.

A. Please see the Company's response to Information Request DTE 1-8.

FIRST SET OF INFORMATION REQUESTS OF
THE ATTORNEY GENERAL
TO KEYSPAN ENERGY DELIVERY NEW ENGLAND

D.T.E. 06-9

Dated: March 9, 2006
Respondent: Elizabeth D. Arangio

Information Request AG 1-18

Q. State whether KeySpan believes that the contract with MLCI, dated January 26, 2006, will result in reduced benefits and increased costs of KeySpan's resource portfolio management for KeySpan's Massachusetts Facilities (*i.e.* reduction of the aggregate margin). Please provide the reasoning and all evaluations, studies, reports, correspondence, e-mails, notes, presentation materials, and work papers supporting that conclusion.

A. It is the Company's expectation that customers will experience substantial benefits as a result of the proposed Asset Optimization Agreement. Although the Company expects substantial benefits to accrue to customers, neither MLCI nor KeySpan are able to determine at this point in time how those benefits will compare to revenues realized through past agreements. Moreover, any difference between the revenues obtained going forward and the revenues realized in the past may be as much a function of changes in the marketplace or a change in the mix of resources available for optimization, as it is a function of the difference in the optimization strategies employed by the asset managers.

However, as noted in the testimony of Ms. Arangio, the substantial value derived for customers through a traditional outsourcing arrangement is made possible through aggressive marketing efforts, price-hedging activities and other transactions that can be undertaken by a financial entity such as MLCI. Under the traditional outsourcing arrangement entered into by the Company in the past, the portfolio manager is free to take risks and achieve rewards based on their own internal risk analyses and risk tolerances. Customers are fully protected from these risks by application of the pricing hierarchy, which ensures that the cost of gas charged to customers is based on the price indices embodied in the physical contracts that would be used to purchase gas outside of an asset optimization agreement.

A modification to the outsourcing arrangement to allow for greater long-term control by KeySpan has the potential to result in a total value available through the Asset Optimization Agreement that would be less than a complete outsourcing of the resource portfolio. This is because MLCI is in the best position to achieve the maximum value available for the portfolio resources and MLCI's ability to derive the maximum amount of value is a direct function of: (1) the package of resources that are handed over by the Company for optimization by MLCI; and (2) the level of autonomy afforded to MLCI on a day-to-day basis in terms of strategy decisions and freedom to execute "last-minute" changes. Both of these factors are likely to be affected by KeySpan's greater participation in the management of the resources. Thus, as explained in Ms. Arangio's testimony, there is an unavoidable trade-off in terms of ensuring the long-term reliability of the resource portfolio versus ensuring the maximum level of mitigation revenues available to customers through a complete outsourcing of the portfolio. The Company's core obligation to customers as a local natural gas distribution company is to provide least-cost gas service balanced with reliability considerations. Therefore, the Company has determined that a change in the structure of the outsourcing arrangement is required.

FIRST SET OF INFORMATION REQUESTS OF
THE ATTORNEY GENERAL
TO KEYSPAN ENERGY DELIVERY NEW ENGLAND

D.T.E. 06-9

Dated: March 9, 2006
Respondent: Elizabeth D. Arangio

Information Request AG 1-19

Q. State whether KeySpan has considered alternatives to in-house capacity development and explain any alternatives and why they were dismissed.

A. From the Company's perspective, there are three basic alternatives for managing the resource portfolio at this point in time given market conditions and other factors: (1) to enter into a traditional outsourcing arrangement, which creates a concern regarding the long-term reliability of the resource portfolio; (2) to bring management of the portfolio in-house without the assistance of an asset manager, which (even if the Company was ready to perform the functions necessary) has the potential to affect the level of revenues available to the Company through optimization strategies that exceed the Company's risk tolerance levels; and (3) to enter into a cooperative relationship that balances reliability with revenue optimization. The Company believes that the third alternative is the most appropriate course of action at this point in time.

FIRST SET OF INFORMATION REQUESTS OF
THE ATTORNEY GENERAL
TO KEYSPAN ENERGY DELIVERY NEW ENGLAND

D.T.E. 06-9

Dated: March 9, 2006
Respondent: Elizabeth D. Arangio

Information Request AG 1-21

Q. Please provide the details supporting the gas acquisition, procurement, management and dispatching costs that each of the KeySpan's Massachusetts Facilities recovers through their base rates and CGA's. The response should include the details of the personnel costs, including position title, annual salary and any overhead costs allocated to the position.

A. Please see table below detailing the amount of gas acquisition, procurement, management and dispatching costs that each of the KeySpan Massachusetts facilities currently recover through base rates and the CGA.

	CGA Recovery	**Base Rate Recovery**
Boston	$483,947	$0
Essex	$0	$182,528
Lowell	$284,221	$0
Cape	$208,648	$0

For Boston Gas, please see Attachment AG 1-21(a), provided herewith, which details the derivation of the $483,947 of gas acquisition.

For Essex Gas, the Company's last base rate proceeding (D.P.U. 96-70) resulted in a rate settlement, and therefore, the amount of gas acquisition costs recovered through base rates is not determinable. However, the amount of "Other Gas Supply Expenses" in DTE Account 813 was $182,528 for the test year 1995. The Company does not have any further breakdown of the individual salaries included in this account.

For Colonial Gas, please see Attachment AG 1-21(b), provided herewith, detailing the derivation of the $284,221 and $208,648 of gas acquisition costs for the Lowell and Cape Divisions, respectively, which are recovered through the Company's CGA factor. This amount was based on the test year 1992 "Other Gas Supply Expenses – DTE Account 813" and associated overheads. The Company does not have any further breakdown of the individual salaries included in this account.

Development of Gas Acquisition Costs for Boston Gas

1	Total 2002 Test Year Costs DTE Acct. 813-		$704,671				
2							
3	Adjustments to 2002 Test Year		$191,527				
4							
5	Total Costs of Service for DTE Acct. 813		$896,198				
6							
7	Allocate between Gas Acquisition and Transportation Functions						
8							
9		Annual	% Time	%Time			
10		2002	for Transportation	for Gas Supply	Transportation	Gas Acquisition	Total
11	Employee Title	Salary	Functions	Functions	Annual Costs	Annual Costs	
12	Manager, Customer Choice	$69,850	100.00%	0.00%	$69,850	$0	$69,850
13	Manager, Gas Supply Planning	$73,200	0.00%	100.00%	$0	$73,200	$73,200
14	Gas Supply Consultant	$37,800	0.00%	100.00%	$0	$37,800	$37,800
15	Sr. Capacity Analyst	$33,000	80.00%	20.00%	$26,400	$6,600	$33,000
16	Sr. Supply Analyst	$51,535	0.00%	100.00%	$0	$51,535	$51,535
17	Supply Analyst	$57,100	0.00%	100.00%	$0	$57,100	$57,100
18	Sr. Capacity Analyst	$53,700	80.00%	20.00%	$42,960	$10,740	$53,700
19	Sr. Broker Representative	$54,900	100.00%	0.00%	$54,900	$0	$54,900
20	Sr. Supply Analyst	$59,450	0.00%	100.00%	$0	$59,450	$59,450
21	Sr. Broker Representative	$58,250	100.00%	0.00%	$58,250	$0	$58,250
22	Sub-total	$548,785			$252,360	$296,425	$548,785
23							
24							
25	Annual Gas Acquisition Costs	$296,425.00					
26	Total	$548,785					
27	Gas Acquisition Allocator	54%					
28							
29							
30	Total Annual Cost Acct. 813	$896,198					
31	Gas Acquistion Allocator	54%					
32	**Total Annual Gas Acquisition Costs recovered in CGA**	**$483,947**					

COLONIAL GAS COMPANY
ANALYSIS OF GAS SUPPLY PURCHASE AND ACQUISITION COSTS
TEST YEAR 1992

		DTE Account	Lowell Dollar	Cape Cod Dollar	Colonial Dollar
1	Gas Supply Purchase and Acquisition C	Number	Amount	Amount	Amount
2	Clerical & Supervision	813	$193,703	$140,267	$333,970
3	Contractor Services	813	$60,015	$57,237	$117,252
4	Transportation , Supplies & Misc.	813	$46,902	$20,406	$67,308
5	Inter-Divisional Allocation	813	($18,183)	$18,183	$0
6	Subtotal		$282,437	$236,093	$518,530
7	Plus: Fringe Benefit A&G Adder on Wages at 30%		$58,111	$42,080	$100,191
8					
9	Total - Account 813		$340,548	$278,173	$618,721
10	Percent of Departmental Costs Associated with Gas Supply Acquisition		50.0%	50.0%	50.0%
11	Account 813 Costs to be Recovered through the CGAC		$170,274	$139,087	$309,361
12					
13	FERC-Related Legal/Consulting Expen:	923	$216,498	$130,835	$347,333
14	Percent Recovered through CGAC		50.0%	50.0%	50.0%
15	Account 923 Costs to be Recovered through the CGAC		$108,249	$65,418	$173,667
16					
17	Subtotal - Gas Supply Purchase and Acquisition Costs Recovered through CGAC		$278,523	$204,504	$483,027
18					
19	Working Capital Allowance on Gas Supply Purchase & Acquisition Costs				
20					
21	Return Requirement				
22	Gas Supply Purchase and Acquisition Costs Recovered through CGAC shown above		$278,523	$204,504	$483,027
23	45/365 Working Capital Factor		12.33%	12.33%	
24	Rate Base Amount		$34,338	$25,213	$59,551
25					
26	Weighted Cost of Capital		10.24%	10.24%	10.24%
27	Return Requirement		$3,516	$2,582	$6,098
28					
29	Associated Income Taxes				
30	Franchise Taxable Income Base (Return Requirement)		$3,516	$2,582	$6,098
31	Taxable Franchise & Federal Income (Base x 1.6205)		$5,698	$4,184	$9,882
32					
33	Mass Franchise Tax @ 6.5%		$370	$272	$642
34	Federal Income Tax @ 31.79%		$1,811	$1,330	$3,141
35	Federal Income & Mass Franchise Tax		$2,182	$1,602	$3,784
36					
37	Working Capital Allowance on Gas Supply Purchase & Acquisition Costs		$5,698	$4,184	$9,882
38					
39	Gas Supply Purchase and Acquisition Costs to be Recovered through CGAC		$284,221	$208,688	$492,909

FIRST SET OF INFORMATION REQUESTS OF
THE ATTORNEY GENERAL
TO KEYSPAN ENERGY DELIVERY NEW ENGLAND

D.T.E. 06-9

Dated: March 9, 2006
Respondent: Elizabeth D. Arangio

Information Request AG 1-22

Q. Please provide copies of all contracts between MLCI or any affiliate of MLCI and any KSCS affiliated company.

A. Please see the attached agreements which include two relatively small credit arrangements with KeySpan Corporation, industry standard commodity agreements with KeySpan's regulated New York affiliates and the confidential Portfolio Management Agreements that are currently in effect for Massachusetts and New Hampshire.

Attachment AG 1-22

Contract # 176

BASE CONTRACT FOR SHORT-TERM SALE AND PURCHASE OF NATURAL GAS

This Base Contract is entered into as of the following date: June 1, 2000

The parties to this Base Contract are the following:

THE BROOKLYN UNION GAS COMPANY d/b/a KEYSPAN ENERGY DELIVERY NEW YORK	and ~~KOCH ENERGY TRADING, INC.~~ Merrill Lynch Commodities, Inc. P.O. BOX 3327, 20 GREENWAY PLAZA, 5TH FLOOR HOUSTON, TEXAS 77253-3327
Duns # 0069 78 795	Duns # 94-436-3795
Contract #	Contract # 70501
Attn: CONTRACT ADMINISTRATION	Attn: CONTRACT ADMINISTRATION
Phone: 516-545-6068 Fax: 516 545-5469	Phone: (713) 544-4975 Fax: (713) 544-5551
Federal Tax ID Number: 11058 4613	Federal Tax ID Number: 48-1159557
Invoices and Payments:	Invoices and Payments:
100 EAST OLD COUNTRY RD, HICKSVILLE, N[illegible]801	KOCH ENERGY TRADING, INC. P.O. BOX 3327, 20 GREENWAY PLAZA, 7TH FLOOR, HOUSTON, TX 77253-3327
Phone: (516) 545-6075 Fax: (516) 545-5469	Phone: (713) 544-4568 Fax: (713) 544-5299
Attn: JOHN KARCICH/ENERGY RECONCILIATION AND BILLING	Attn: ACCOUNTING DEPARTMENT
Wire Transfer or AC[illegible] if applica[illegible]	Wi[illegible]ansfer or [illegible] (if applic[illegible]
CHASE MANHA[illegible]ANK, NY[illegible]	[illegible] MANHA[illegible]ANK, N[illegible]
ABA #021000021 [illegible]#028003[illegible]	A[illegible]00021 A[illegible]009980-KO[illegible]GY TRADING

This Base Contract i[illegible]s by refe[illegible]ll purpose[illegible]eral Term[illegible]ditions fo[illegible]erm Sale [illegible]ase of Natural Gas published by the G[illegible]y Standa[illegible]. The p[illegible]by agree[illegible]llowing [illegible] offered [illegible]eneral Terms and Conditions (select o[illegible]om each [illegible]ee "*Note*"[illegible] to Sectio[illegible]

Section 1.2 Transaction Procedur[illegible]	[illegible]] Oral (B[illegible]RMING P[illegible] [illegible]] Written [illegible]	**Secti[illegible]** Taxes	[ ] B[illegible] At and A[illegible]ry Point [X] Se[illegible] Before an[illegible]ery Point
Section 2.4 Confirm Deadline	[illegible]] 2 Busin[illegible] after recei[illegible] [illegible]] Busines[illegible]	**Section [illegible]** [illegible]ayment D[illegible]	25th [illegible]onth follo[illegible]th of
Section 2.5 Confirming Party	[illegible]] Seller [illegible]] Buyer [illegible]]	**[illegible]tion 7.2** [illegible]d of	[illegible] Clearin[illegible]CH)
Section 3.2 Performance Obl.	[illegible]] Cover S[illegible] [illegible]] Spot Pr[illegible]rd		
Note: The following Sp[illegible]cation appli[illegible]he immedia[illegible] Standards and m[illegible]s after a Sta[illegible]cted.		**Secti[illegible]** CH[illegible] LAW:	S[illegible] NEW YO[illegible]
Section 2.24 Spot Price Publicat[illegible]	[illegible] DAILY [illegible]		
[X] Special Provi[illegible]B EXHIB[illegible]TACHED)			

IN WITNESS WH[illegible] the partie[illegible]have exe[illegible] Base Co[illegible] duplicat[illegible]

THE BROOKLYN U[illegible]AS COMP[illegible]a KEYSPAN ENERGY[illegible]RY NEW[illegible]	[illegible]ENERGY [illegible]G, INC.
By [signature] CHARLES A. DAVERIO, PRESIDENT KEYSPAN ENERGY TRADING SERVICES LLC as Agent for THE BROOKLYN UNION GAS COMPANY D/B/A KEYSPAN ENERGY DELIVERY NEW YORK	By [signature] Title V.P.
Date 06-04-00	Date 6/15/00

DISCLAIMER: The purposes of this Contract are to facilitate trade, avoid misunderstandings and make more definite the terms of contracts of purchase and sale of natural gas. This Contract is intended for Interruptible transactions or Firm transactions of one month or less and may not be suitable for Firm transactions of longer than one month. Further, GISB does not mandate the use of this Contract by any party. GISB DISCLAIMS AND EXCLUDES, AND ANY USER OF THIS CONTRACT ACKNOWLEDGES AND AGREES TO GISB'S DISCLAIMER OF, ANY AND ALL WARRANTIES, CONDITIONS OR REPRESENTATIONS, EXPRESS OR IMPLIED, ORAL OR WRITTEN, WITH RESPECT TO THIS CONTRACT OR ANY PART THEREOF, INCLUDING ANY AND ALL IMPLIED WARRANTIES OR CONDITIONS OF TITLE, NON-INFRINGEMENT, MERCHANTABILITY, OR FITNESS OR SUITABILITY FOR ANY PARTICULAR PURPOSE (WHETHER OR NOT GISB KNOWS, HAS REASON TO KNOW, HAS BEEN ADVISED, OR IS OTHERWISE IN FACT AWARE OF ANY SUCH PURPOSE), WHETHER ALLEGED TO ARISE BY LAW, BY REASON OF CUSTOM OR USAGE IN THE TRADE, OR BY COURSE OF DEALING. EACH USER OF THIS CONTRACT ALSO AGREES THAT UNDER NO CIRCUMSTANCES WILL GISB BE LIABLE FOR ANY DIRECT, SPECIAL, INCIDENTAL, EXEMPLARY, PUNITIVE OR CONSEQUENTIAL DAMAGES ARISING OUT OF ANY USE OF THIS CONTRACT.

GENERAL TERMS AND CONDITIONS
BASE CONTRACT FOR SHORT-TERM SALE AND PURCHASE OF NATURAL GAS

SECTION 1. PURPOSE AND PROCEDURES

1.1. These General Terms and Conditions are intended to facilitate purchase and sale transactions of Gas on a Firm or Interruptible basis. "Buyer" refers to the party receiving Gas and "Seller" refers to the party delivering Gas.

The parties have selected either the "Oral" version [illegible] the "Written" version of transaction procedures as indicated on the Base Contract.

Oral Transaction Procedure:

1.2 The parties will use the following Transac[illegible] [illegible]ation procedure. Any Gas purchase and sale transaction may be effectuated in an EDI transmission or telephone [illegible] with the offer and acceptance constituting the agreement of the parties. The parties shall be legally bound from [illegible] agree to transaction terms and may each rely thereon. Any such transaction shall be considered a "writing" and to [illegible]e been [illegible]gned". Notwithstanding the foregoing sentence, the parties agree that Confirming Party shall, and the other party may, confirm a telephonic transaction by sending the other party a Transaction Confirmation by [illegible] or mutually agreeable [illegible] means. Confirming [illegible] letterhead, or the like, as its signatu[illegible] Transact[illegible]firmation [illegible]entificatio[illegible]uthentic[illegible]onfirming [illegible]

Written Transac[illegible]edure:

1.2 The par[illegible] use the [illegible] Transa[illegible]nfirmati[illegible]dure. S[illegible] parties [illegible] an agreement regarding a Gas p[illegible]nd sale t[illegible]n for a p[illegible] Delivery [illegible] Confi[illegible]ty shall, [illegible]ther party may, record that agree[illegible] a Trans[illegible]onfirmati[illegible] communi[illegible] Transa[illegible]onfirmatio[illegible]simile, EDI or mutually agreeab[illegible]nic mea[illegible] other pa[illegible]e close [illegible]siness D[illegible]ving the [illegible]greement. The parties acknowled[illegible]heir agre[illegible]l not be [illegible]ntil the [illegible] of non-c[illegible] Transac[illegible]firmation or the passage of the Co[illegible]dline w[illegible]ection fr[illegible]eiving p[illegible]provided [illegible]n 1.3.

1.3. If a sendi[illegible] Transac[illegible]ifferent [illegible]y's unde[illegible] of the agreement referred to in Sectio[illegible]ch receiv[illegible]arty via [illegible]firm D[illegible]less such receiving party has previously [illegible]ansaction [illegible]nfirmation to t[illegible]he failure [illegible] the sending party in writing by the Con[illegible]line cons[illegible] receivin[illegible] the term[illegible]tion desc[illegible]he sending party's Transaction Confirm[illegible] If there [illegible]material [illegible]s betwee[illegible]ely sent [illegible] Confirma[illegible]verning the same transaction, then ne[illegible]saction [illegible]ion shall [illegible]g until [illegible] such dif[illegible] resolve[illegible]g the use of any evidence that clear[illegible]s the dif[illegible]n the Tr[illegible] Confirma[illegible]e entire [illegible] between [illegible]ies shall be those provisions contained [illegible]he Base [illegible]nd any ef[illegible]nsaction [illegible]tion. In [illegible] of a conf[illegible] the terms of (i) a Transaction Confirm[illegible] the Base[illegible], and (iii) [illegible]eral Term[illegible]nditions, [illegible] of the do[illegible] shall govern in the priority listed in this [illegible]

SECTION 2 [illegible]NITI[illegible]

2.1. "Base Con[illegible]ll mean a [illegible]executed [illegible]ies that in[illegible]s these G[illegible]rms and [illegible] by reference; that specifies the agreed [illegible]f provisi[illegible]ned herei[illegible] sets forth [illegible]rmation [illegible]erein.

2.2. "British therm[illegible] "Btu" shall have the mea[illegible]ed to it by the Receiving T[illegible]

2.3. "Business Day" shall mean any day except Saturd[illegible]y or Federal Reserve Bank holidays.

2.4. "Confirm Deadline" shall mean 5:00 p.m. in the receiving party's time zone on the second Business Day following the Day a Transaction Confirmation is received, or if applicable, on the Business Day agreed to by the parties in the Base Contract; provided, if the Transaction Confirmation is time stamped after 5:00 p.m. in the receiving party's time zone, it shall be deemed received at the opening of the next Business Day.

2.5. "Confirming Party" shall mean the party designated in the Base Contract to prepare and forward Transaction Confirmations to the other party.

2.6. "Contract" shall mean the legally-binding relationship established by (i) the Base Contract and (ii) the provisions contained in any effective Transaction Confirmation.

2.7. "Contract Price" shall mean the amount expressed in U.S. Dollars per MMBtu, as evidenced by the Contract Price on the Transaction Confirmation.

2.8. "Contract Quantity" shall mean the quantity of Gas to be delivered and taken as set forth in the Transaction Confirmation.

2.9. "Cover Standard", if applicable, shall mean that if there is an unexcused failure to take or deliver any quantity of Gas pursuant to this Contract, then the non-defaulting party shall use commercially reasonable efforts to obtain Gas or alternate fuels, or sell Gas, at a price reasonable for the delivery or production area, as applicable, consistent with: the amount of notice provided by the defaulting party; the immediacy of the Buyer's Gas consumption needs or Seller's Gas sales requirements, as applicable; the quantities involved; and the anticipated length of failure by the defaulting party.

2.10. "Day" shall mean a period of 24 consecutive hours, coextensive with a "day" as defined by the Receiving Transporter in a particular transaction.

2.11. "Delivery Period" shall be the period during which deliveries are to be made as set forth in the Transaction Confirmation.

2.12. "Delivery Point(s)" shall mean such point(s) as are mutually agreed upon between Seller and Buyer as set forth in the Transaction Confirmation.

2.13. "EDI" shall mean an electronic data interchange pursuant to an agreement entered into by the parties, specifically relating to the communication of Transaction Confirmations under this Contract.

2.14. "EFP" shall mean the purchase, sale or exchange of natural Gas as the "physical" side of an exchange for physical transaction involving gas futures contracts. EFP shall incorporate the meaning and remedies of "Firm".

2.15. "Firm" shall mean that either party may interrupt its performance without liability only to the extent that such performance is prevented for reasons of Force Majeure; provided, however, that during Force Majeure interruptions, the party invoking Force Majeure may be responsible for any Imbalance Charges as set forth in Section 4.3. related to its interruption after the nomination is made to the Transporter and until the change in deliveries and/or receipts is confirmed by the Transporter.

2.16. "Gas" shall mean any mixture of hydrocarbons and noncombustible gases in a gaseous state consisting primarily of methane.

2.17. "Imbalance Charges" shall mean any fees, penalties, costs or charges (in cash or in kind) assessed by a Transporter for failure to satisfy the Transporter's balance and/or nomination requirements.

2.18. "Interruptible" shall mean that either party may interrupt its performance at any time for any reason, whether or not caused by an event of Force Majeure, with no liability, except such interrupting party may be responsible for any Imbalance Charges as set forth in Section 4.3. related to its interruption after the nomination is made to the Transporter and until the change in deliveries and/or receipts is confirmed by the Transporter.

2.19. "MMBtu" shall mean one million British thermal units, which is equivalent to one dekatherm.

2.20. "Month" shall mean the period beginning on the first Day of the calendar month and ending immediately prior to the commencement of the first Day of the next calendar month.

2.21. "Payment Date" shall mean a date, as indicated by the parties in the Base Contract, on or before which payment is due Seller for Gas received by Buyer in the previous Month.

2.22. "Receiving Transporter" shall mean the Transporter receiving Gas at a Delivery Point, or absent such receiving Transporter, the Transporter delivering Gas at a Delivery Point.

2.23. "Scheduled Gas" shall mean the quantity of Gas confirmed by Transporter(s) for movement, transportation or management.

2.24 "Spot Price" as referred to in Section 3.2 shall mean the price listed in the publication specified by the parties in the Base Contract, under the listing applicable to the geographic location closest in proximity to the Delivery Point(s) for the relevant Day; provided, if there is no single price published for such location for such Day, but there is published a range of prices, then the Spot Price shall be the average of such high and low prices. If no price or range of prices is published for such Day, then the Spot Price shall be the average of the following: the price (determined as stated above) for the first Day for which a price or range of prices is published that next precedes the relevant Day; and the price (determined as stated above) for the first Day for which a price or range of prices is published that next follows the relevant Day.

2.25. "Transaction Confirmation" shall mean the document, substantially in the form of Exhibit A, setting forth the terms of a purchase and sale transaction formed pursuant to Section 1. for a particular Delivery Period.

2.26. "Transporter(s)" shall mean all Gas gathering or pipeline companies, or local distribution companies, acting in the capacity of a transporter, transporting Gas for Seller or Buyer upstream or downstream, respectively, of the Delivery Point pursuant to a particular Transaction Confirmation.

SECTION 3 PERFORMANCE OBLIGATION

3.1. Seller agrees to sell and deliver, and Buyer agrees to receive and purchase, the Contract Quantity for a particular transaction in accordance with the terms of the Contract. Sales and purchases will be on a Firm or Interruptible basis, as specified in the Transaction Confirmation.

The parties have selected the "Cover Standard" version or the "Spot Price Standard" version as indicated on the Base Contract.
Cover Standard:
3.2 In addition to any liability for Imbalance Charges [illegible]ch shall not be recovered twice by the following remedy, the exclusive and sole remedy of the parties in the event of a breach of a F[illegible]gation shall be recovery of the following: (i) in the event of a breach by Seller on any Day(s), payment by Seller to Buyer in an a[illegible]ual to the positive difference, if any, between the purchase price paid by Buyer utilizing the Cover Standard for replacement Ga[illegible]tive fuels and the Contract Price, adjusted for commercially reasonable differences in transportation costs to or from the Del[illegible] Po[illegible] multiplied by the difference between the Contract Quantity and the quantity actually delivered by Seller for such Day(s); [illegible] in th[illegible]nt of a breach by Buyer on any Day(s), payment by Buyer to Seller in the amount equal to the positive difference, if any, be[illegible]n the C[illegible]ract Price and the price received by Seller utilizing the Cover Standard for the resale of such Gas, adjusted for commercially [illegible] differences in transportation costs to or from the Delivery Point(s), multiplied by the difference between the Contract Quantity and the quantity actually taken by Buyer for such Day(s); or (iii) in the event that Buyer has used com[illegible]easonable [illegible]rts to repla[illegible]s or Seller [illegible]sed co[illegible] to sell the Gas to a third party, and no [illegible]lacement [illegible]s availab[illegible]he exclu[illegible]sole rem[illegible] non-br[illegible]arty shall be any unfavorable differe[illegible]en the C[illegible]ice and [illegible]Price, ad[illegible] such tra[illegible]n to the [illegible]e Delivery Point, multiplied by the d[illegible]between [illegible]act Quan[illegible]he quanti[illegible]y delive[illegible]ler and [illegible]y Buyer for such Day(s).
Spot Price Standa[illegible]
3.2 In addition [illegible]ability fo[illegible]ce Charg[illegible] shall not [illegible]ered twic[illegible]following [illegible] the exclusive and sole remedy of the [illegible] the even[illegible]ach of a [illegible]ation sha[illegible]overy of [illegible]ing: (i) [illegible]nt of a breach by Seller on any Day(s[illegible]t by Selle[illegible]r in an a[illegible]to the di[illegible]e between [illegible]act Qua[illegible]he actual quantity delivered by Seller [illegible]ed by Bu[illegible] the pos[illegible]obtained [illegible]cting the Contract Price from the Spo[illegible]) in the [illegible] Day(s), [illegible]to Selle[illegible]mount equal to the difference between [illegible]act Quan[illegible]and the actual [illegible]by Seller [illegible]Day(s), multiplied by the positive differen[illegible] obtained [illegible]acting the[illegible] from the[illegible]

3.3. EXCEPT [illegible]RWISE S[illegible]ALLY PR[illegible]D HEREI[illegible] EVENT [illegible]HER PA[illegible]LIABLE UNDER THIS CONTRACT, [illegible]ER IN C[illegible]T, IN TO[illegible]LUDING [illegible]NCE A[illegible]T LIAB[illegible]R OTHERWISE, FOR INCIDENTAL [illegible]QUENTI[illegible]CIAL, OR[illegible]VE DAMA[illegible]

SECTION 4 [illegible]ANSPO[illegible]TION, [illegible]INAT[illegible] AND [illegible]ALANCES

4.1. Seller shal[illegible] sole res[illegible] for tran[illegible]e Gas to[illegible]very Poin[illegible] deliver[illegible] Gas at a pressure sufficient to effect s[illegible]y but n[illegible]d the m[illegible]perating [illegible]f the Re[illegible]ansporter[illegible]hall have the sole responsibility for tra[illegible]he Gas fr[illegible]livery Po[illegible]

4.2. The parties [illegible]dinate the[illegible]ation acti[illegible]ng suffici[illegible] to meet [illegible] of the [illegible]ransporter(s). Each party shall give the other [illegible] timely prior notice, suffic[illegible]t the requirements of all Transporter(s) involved in the transaction, of the quantities of Gas to be delivered and purchased each Day. [illegible] either party become aware that actual deliveries at the Delivery Point(s) are greater or lesser than the Scheduled Gas, such party shall promptly notify the other party.

4.3. The parties shall use commercially reasonable efforts to avoid imposition of any Imbalance Charges. If Buyer or Seller receives an invoice from a Transporter that includes Imbalance Charges, the parties shall determine the validity as well as the cause of such Imbalance Charges. If the Imbalance Charges were incurred as a result of Buyer's actions or inactions (which shall include, but shall not be limited to, Buyer's failure to accept quantities of Gas equal to the Scheduled Gas), then Buyer shall pay for such Imbalance Charges, or reimburse Seller for such Imbalance Charges paid by Seller to the Transporter. If the Imbalance Charges were incurred as a result of Seller's actions or inactions (which shall include, but shall not be limited to, Seller's failure to deliver quantities of Gas equal to the Scheduled Gas), then Seller shall pay for such Imbalance Charges, or reimburse Buyer for such Imbalance Charges paid by Buyer to the Transporter.

SECTION 5. QUALITY AND MEASUREMENT

All Gas delivered by Seller shall meet the quality and heat content requirements of the Receiving Transporter. The unit of quantity measurement for purposes of this Contract shall be one MMBtu dry. Measurement of Gas quantities hereunder shall be in accordance with the established procedures of the Receiving Transporter.

SECTION 6. TAXES

The parties have selected either the "Buyer Pays At and After Delivery Point" version or the "Seller Pays Before and At Delivery Point" version as indicated on the Base Contract.

Buyer Pays At and After Delivery Point:

Seller shall pay or cause to be paid all taxes, fees, levies, [illegible] licenses or charges imposed by any government authority ("Taxes") on or with respect to the Gas prior to the Delivery Point(s). [illegible] pay or cause to be paid all Taxes on or with respect to the Gas at the Delivery Point(s) and all Taxes after the Delivery Point[illegible] a [illegible] is required to remit or pay Taxes that are the other party's responsibility hereunder, the party responsible for such Taxes shall p[illegible]ptly re[illegible]rse the other party for such Taxes. Any party entitled to an exemption from any such Taxes or charges shall furnish the other [illegible]y any n[illegible]sary documentation thereof.

Seller Pays Before and At Delivery Point:

Seller shall pay or ca[illegible]aid all tax[illegible]fees, levies, [illegible] licenses or charges impos[illegible]rity ("Taxes") on or with respect to the [illegible]o the Del[illegible]nt(s) and [illegible] at the De[illegible]int(s). B[illegible] pay or c[illegible] paid all Taxes on or with respect to t[illegible]er the De[illegible]int(s). If [illegible] required [illegible]or pay T[illegible] are the [illegible]y's responsibility hereunder, the party [illegible]le for su[illegible]shall pro[illegible]burse th[illegible]rty for su[illegible] Any pa[illegible] to an exemption from any such Taxe[illegible]es shall f[illegible] other pa[illegible]cessary d[illegible]tion there[illegible]

SECTION 7. [illegible]LING, [illegible]MENT [illegible] AUD[illegible]

7.1. Seller shal[illegible]Buyer fo[illegible]vered an[illegible] in the p[illegible]Month a[illegible] other a[illegible]charges, providing supporting documen[illegible]eptable in[illegible] practice [illegible]he amoun[illegible]d. If th[illegible]antity de[illegible]not known by the billing date, billing w[illegible]ared bas[illegible]quantity o[illegible]Gas. The [illegible]d quanti[illegible] be adju[illegible] actual quantity on the following Month[illegible]r as soon [illegible]ation is av[illegible]

7.2. Buyer shal[illegible] amount [illegible] Contract[illegible] or before the later of [illegible]e Payment Date or [illegible]fter recei[illegible]voice by [illegible] the Paym[illegible] Busines[illegible]yment is due on the next Business Day f[illegible]hat date. [illegible]ils to rem[illegible]amount p[illegible]e by it w[illegible]t on the u[illegible]tion shall accrue at a rate equal to the lo[illegible] then-e[illegible]ime rate [illegible]published [illegible]Money R[illegible] Wall St[illegible], plus two percent per annum from the [illegible]ntil the [illegible]ment; or [illegible]aximum [illegible] lawful i[illegible]. If Buye[illegible] faith, disputes the amount of any such [illegible]or any pa[illegible] Buyer w[illegible]Seller suc[illegible] as it con[illegible]correct; [illegible] however, if Buyer disputes the amount [illegible]r must pr[illegible]orting do[illegible]on accep[illegible]ustry pra[illegible]port the a[illegible]id or disputed.

7.3. In the even[illegible]ents are [illegible] hereund[illegible]t to Buye[illegible]made in a[illegible] with Sec[illegible]bove.

7.4. A party sh[illegible]e right, at [illegible]xpense, u[illegible]able noti[illegible]easonabl[illegible] examine [illegible] and records of the other party only to [illegible] reasonab[illegible]ry to ver[illegible]ccuracy o[illegible]ment, ch[illegible]ment, or c[illegible] made under the Contract. This exa[illegible]ght shall [illegible]vailable w[illegible] to prop[illegible]ormation[illegible]tly releva[illegible]actions under this Contract. All invoi[illegible]llings sha[illegible]clusively [illegible] final and [illegible] unless o[illegible]in writing [illegible]equate explanation and/or documentation, [illegible] years after the Month of [illegible]ery. All re[illegible]ive adjus[illegible] Section [illegible] be paid in full by the party owing payment within 30 days of notice and substanti[illegible]ch inaccuracy..

SECTION 8. TITLE, WARRANTY AND INDEMNITY

8.1. Unless otherwise specifically agreed, title to the Gas shall pass from Seller to Buyer at the Delivery Point(s). Seller shall have responsibility for and assume any liability with respect to the Gas prior to its delivery to Buyer at the specified Delivery Point(s). Buyer shall have responsibility for and assume any liability with respect to said Gas after its delivery to Buyer at the Delivery Point(s).

8.2. Seller warrants that it will have the right to convey and will transfer good and merchantable title to all Gas sold hereunder and delivered by it to Buyer, free and clear of all liens, encumbrances, and claims.

8.3. Seller agrees to indemnify Buyer and save it harmless from all losses, liabilities or claims including attorneys' fees and costs of court ("Claims"), from any and all persons, arising from or out of claims of title, personal injury or property damage from said Gas or other charges thereon which attach before title passes to Buyer. Buyer agrees to indemnify Seller and save it harmless from all Claims, from any and all persons, arising from or out of claims regarding payment, personal injury or property damage from said Gas or other charges thereon which attach after title passes to Buyer.

8.4. Notwithstanding the other provisions of this Section 8., as between Seller and Buyer, Seller will be liable for all Claims to the extent that such arise from the failure of Gas delivered by Seller to meet the quality requirements of Section 5.

SECTION 9. NOTICES

9.1. All Transaction Confirmations, invoices, payments and other communications made pursuant to the Base Contract ("Notices") shall be made to the addresses specified in writing by the respective parties from time to time.

9.2. All Notices required hereunder may be sent by facsimile or mutually acceptable electronic means, a nationally recognized overnight courier service, first class mail or hand delivered.

9.3. Notice shall be given when received on a Business Day by the addressee. In the absence of proof of the actual receipt date, the following presumptions will apply. Notices sent by facsimile shall be deemed to have been received upon the sending party's receipt of its facsimile machine's confirmation of successful transmission, if the day on which such facsimile is received is not a Business Day or is after five p.m. on a Business Day, then such facsimile shall be deemed to have been received on the next following Business Day. Notice by overnight mail or courier shall be deemed to have been received on the next Business Day after it was sent or such earlier time as is confirmed by the receiving party. Notice via first class mail shall be considered delivered five Business Days after mailing.

SECTION 10. FINANCIAL RESPONSIBILITY

10.1. When reasonable grounds for insecurity of payment or title to the Gas arise, either party may demand adequate assurance of performance. Adequate assurance shall mean sufficient security in the form and for the term reasonably specified by the party demanding assurance, including, but not limited to, a standby irrevocable letter of credit, a prepayment, a security interest in an asset acceptable to the demanding party or a performance bond or guarantee by a creditworthy entity. In the event either party shall (i) make an assignment or any general arrangement for the benefit of creditors; (ii) default in the payment obligation to the other party; (iii) file a petition or otherwise commence, authorize, or acquiesce in the commencement of a proceeding or case under any bankruptcy or similar law for the protection of creditors or have such petition filed or proceeding commenced against it; (iv) otherwise become bankrupt or insolvent (however evidenced); or (v) be unable to pay its debts as they fall due; then the other party shall have the right to either withhold and/or suspend deliveries or payment, or terminate the Contract without prior notice, in addition to any and all other remedies available hereunder. Seller may immediately suspend deliveries to Buyer hereunder in the event Buyer has not paid any amount due Seller hereunder on or before the second day following the date such payment is due.

10.2. Each party reserves to itself all rights, set-offs, counterclaims, and other defenses which it is or may be entitled to arising from the Contract.

SECTION 11. FORCE MAJEURE

11.1. Except with regard to a party's obligation to make payment due under Section 7. and Imbalance Charges under Section 4, neither party shall be liable to the other for failure to perform a Firm obligation, to the extent such failure was caused by Force Majeure. The term "Force Majeure" as employed herein means any cause not reasonably within the control of the party claiming suspension, as further defined in Section 11.2.

11.2. Force Majeure shall include but not be limited to the following: (i) physical events such as acts of God, landslides, lightning, earthquakes, fires, storms or storm warnings, such as hurricanes, which result in evacuation of the affected area, floods, washouts, explosions, breakage or accident or necessity of repairs to machinery or equipment or lines of pipe; (ii) weather related events affecting an entire geographic region, such as low temperatures which cause freezing or failure of wells or lines of pipe; (iii) interruption of firm transportation and/or storage by Transporters; (iv) acts of others such as strikes, lockouts or other industrial disturbances, riots, sabotage, insurrections or wars; and (v) governmental actions such as necessity for compliance with any court order, law, statute, ordinance, or regulation promulgated by a governmental authority having jurisdiction. Seller and Buyer shall make reasonable efforts to avoid the adverse impacts of a Force Majeure and to resolve the event or occurrence once it has occurred in order to resume performance.

11.3. Neither party shall be entitled to the benefit of the provisions of Force Majeure to the extent performance is affected by any or all of the following circumstances: (i) the curtailment of interruptible or secondary firm transportation unless primary, in-path, firm transportation is also curtailed; (ii) the party claiming excuse failed to remedy the condition and to resume the performance of such covenants or obligations with reasonable dispatch; or (iii) economic hardship. The party claiming Force Majeure shall not be excused from its responsibility for Imbalance Charges.

11.4. Notwithstanding anything to the contrary herein, the parties agree that the settlement of strikes, lockouts or other industrial disturbances shall be entirely within the sole discretion of the party experiencing such disturbance.

11.5. The party whose performance is prevented by Force Majeure must provide notice to the other party. Initial notice may be given orally; however, written notification with reasonably full particulars of the event or occurrence is required as soon as reasonably possible. Upon providing written notification of Force Majeure to the other party, the affected party will be relieved of its obligation to make or accept delivery of Gas as applicable to the extent and for the duration of Force Majeure, and neither party shall be deemed to have failed in such obligations to the other during such occurrence or event.

SECTION 12. TERM

This Contract may be terminated on 30 days' written notice but shall remain in effect until the expiration of the latest Delivery Period of any Transaction Confirmation(s). The rights of either party pursuant to Section 7.4., the obligations to make payment hereunder, and the obligation of either party to indemnify the other, pursuant [illegible] to shall survive the termination of the Base Contract or any Transaction Confirmation.

SECTION 13. MISCELLANEOUS

13.1. This Contract shall be binding upon and in[illegible] the b[illegible]t of the successors, assigns, personal representatives, and heirs of the respective parties hereto, and the covenants, conditions, [illegible]hts and [illegible]igations of this Contract shall run for the full term of this Contract. No assignment of this Contract, in whole or in part, will be made without the prior written consent of the non-assigning party, which consent will not be unreasonably withheld or delayed; provided, either party may transfer its interest to any parent or affiliate by assignment, merger or otherwise without the [illegible]roval of the [illegible] party. U[illegible]ansfer and [illegible]ption, the [illegible] shall no[illegible]ed of or discharged from any obligation[illegible]er.

13.2. If any pr[illegible] this Co[illegible] determin[illegible] invalid, [illegible]nenforce[illegible]any cou[illegible] jurisdiction, such determination shall [illegible]late, void[illegible] unenforc[illegible] other pro[illegible]reement [illegible]t of this [illegible]

13.3. No waiver [illegible]each of th[illegible]ct shall be[illegible]e a waive[illegible]ther or s[illegible] breach.

13.4. This Cont[illegible]orth all u[illegible]ings betw[illegible]arties re[illegible]ach trans[illegible]ject here[illegible]y prior contracts, understandings and [illegible]tions, w[illegible] or writte[illegible] to such t[illegible]ns are me[illegible] and supe[illegible] this Contract and any effective Transa[illegible]firmation[illegible] Contract [illegible]ded onl[illegible]writing ex[illegible] both par[illegible]

13.5. The interp[illegible]d perfor[illegible]verned b[illegible] specifie[illegible]arties in the Base Contract, excluding[illegible] any con[illegible] the law o[illegible]

13.6. This Cont[illegible]l provisio[illegible] will be s[illegible] and vali[illegible]rders a[illegible]ons of any Federal, State, or local gov[illegible] authorit[illegible] jurisdicti[illegible] the parti[illegible]eir facili[illegible]upply, th[illegible]ct or Transaction Confirmation or any [illegible]s thereof[illegible]

13.7. There is n[illegible]ty benefic[illegible]is Contra[illegible]

13.8. Each party [illegible]ntract re[illegible]d warra[illegible]has full a[illegible]te author[illegible]r into and [illegible]this Contract. Each person who ex[illegible]s Contrac[illegible]f of eithe[illegible]presents a[illegible]ts that it [illegible]d comple[illegible]ty to do so and that such party will [illegible]thereby.

TRANSACTION CONFIRMATION
FOR IMMEDIATE DELIVERY

EXHIBIT A

Letterhead/Logo	Date: ____________________, ____ Transaction Confirmation #: ____________

This Transaction Confirmation is subject to the Base Co[ntr]act between Seller and Buyer dated ________________. The terms of this Transaction Confirmation are binding [unle]ss disputed in writing within 2 Business Days of receipt unless otherwise specified in the Base Contract.

SELLER:	**BUYER:**
____________________	____________________
____________________	____________________
____________________	____________________
Attn: ____________	Attn: ____________
Phone: ____________	Phone: ____________
Fax: ____________	Fax: ____________
Base Contract No. ____________	Base C[ontract] No. ____________
Transporter: ____________	Transp[orter]: ____________
Transporter Cont[ract Num]ber: ____________	Transp[orter] [Co]ntract Nu[mber]: ____________

Contract Price: $____/MMBtu o[r] ____________

Delivery Period: ____________ End: ________, ____

Performance Ob[ligation] and Con[tract Quantity]:

Firm (Fixed Qu[antity]):	**Fi[rm (Variable Quant]ity):**	**Interru[ptible]:**
______ MMBtus[/day]	______ [MM]Btus/da[y] [M]inimum	Up to ______ [MM]Btus/day
☐ EFP	______ [MM]Btus/da[y] [Max]imum	
	su[bject to S]ection 4.[2 at ele]ction of	
	☐ [Buye]r ☐ Selle[r]	

Delivery Point(s): ____________
(If a pooling poin[t is used], list a spe[cific geo]graphic a[nd pipeli]ne locati[on]):

Special Conditio[ns]:

Seller: ____________________	Buyer: ____________________
By: ____________________	By: ____________________
Title: ____________________	Title: ____________________
Date: ____________________	Date: ____________________

EXHIBIT B

SPECIAL PROVISIONS FOR
BASE CONTRACT FOR SHORT-TERM SALE
AND PURCHASE OF NATURAL GAS (GISB)
BETWEEN
THE BROOKLYN UNION GAS COMPANY d/b/a
KEYSPAN ENERGY DELIVERY NEW YORK
AND
KOCH ENERGY TRADING, INC.
DATED
JUNE 1, 2000

The parties agree that each party may electronically record all telephone conversations between their respective employees, without any special or further notice, and each party hereby waives any claim against the validity of any telephone Transaction (under laws that may require a writing or otherwise) and agrees that such recording(s) are admissible as evidence in any court or other proceedings for any purpose or concluded Transaction or other matter under this contract, so long as the subject matter of the recorded conversation is relevant to the disputed provision.

THE BROOKLYN UNION GAS COMPANY d/b/a
KEYSPAN ENERGY DELIVERY NEW YORK

SC

CHARLES A. DAVERIO, PRESIDENT
KEYSPAN ENERGY TRADING SERVICES LLC as
Agent for THE BROOKLYN UNION GAS COMPANY
d/b/a KEYSPAN ENERGY DELIVERY NEW YORK

DATE: 06-14-00

KOCH ENERGY TRADING, INC.

DATE: 6/15/00

Contract Id 269 PSC 594

BASE CONTRACT FOR SHORT-TERM SALE AND PURCHASE OF NATURAL GAS

This Base Contract is entered into as of the following date: October 1, 1998

The parties to this Base Contract are the following:

KEYSPAN GAS EAST CORPORATION D/B/A	Merrill Lynch Commodities, Inc.
BROOKLYN UNION OF LONG ISLAND	~~Entergy Koch Trading, LP~~
175 EAST OLD COUNTRY ROAD, HICKSVILLE NY 11801	and ~~KOCH ENERGY TRADING, INC.~~
	P.O. Box 3327, 20 Greenway Plaza, 5th Fl, Houston, TX77253-3327
Duns # 84-474-9010	Duns ~~#94-436-3795~~ 06-935-0179
Contract #	Contract #
Attn: CONTRACT ADMINISTRATION	Attn: Contract Administration
Phone: 516-545-6046 Fax: 516-545-5469	Phone: (713) 544-4975 Fax (713) 544-5551
Federal Tax ID Number: 11-3434848	Federal Tax ID Number: ~~48-1159557~~ 76-0667493
Invoices and Payments: KeySpan Gas East Corporation d/b/a Brooklyn Union of Long Island	Invoices and Payments: KOCH ENERGY TRADING, INC.
100 EAST OLD COUNTRY RD, HICKSVILLE, NY 11801	P.O. Box 3327, 20 Greenway Plaza, 7th Fl, Houston, TX77253-3327
Telephone: (516) 545-6050 Fax: None	Telephone: (713) 544-4568 Fax: (713) 544-5299
Attn: ENERGY RECONCILIATION & BILLING	Attn: Accounting Department
Wire Transfer or ACH Nos. (if applicable)	Wire Transfer or ACH Nos. (if applicable)
CITIBANK: ABA# 021000089/ACCT#00036871	Chase Manhattan Bank ... 021000021 ACCT 9102792299

This Base Contract incorporates by reference for all purposes the General Terms and Conditions for Short-Term Sale and Purchase of Natural Gas published by the Gas Industry Standards Board. The parties hereby agree to the following provisions offered in said General Terms and Conditions (select only one from each box, but see "Note" relating to Section 2.24):

Section 1.2 Transaction Procedure	☒ Oral (by CONFIRMING PARTY) ☐ Written	Section 6 TAXES	☐ Buyer Pays At and After Delivery Point ☒ Seller Pays Before and At Delivery Point
Section 2.4 Confirm Deadline	☐ 2 Business Days after receipt (default) ☒ 3 Business Days after receipt	Section 7.2 Payment Date	☒ 25th day of Month following Month of delivery
Section 2.5 Confirming Party	☐ Seller ☐ Buyer ☒ KOCH ENERGY TRADING, INC.	Section 7.2 Method of Payment	☐ Wire Transfer (WT) ☐ Automated Clearinghouse (ACH) ☐ Check
Section 3.2 Performance Obl.	☐ Cover Standard ☒ Spot Price Standard		

Note: The following Spot Price Publication applies to both of the immediately preceding Standards and must be filled in after a Standard is selected.

Section 10.4 CHOICE OF LAW: STATE OF NEW YORK

netting applies effective 7/1/05

Section 2.24

Spot Price Publication: GAS DAILY

☐ Special Provisions:: None

IN WITNESS WHEREOF, the parties hereto have executed this Base Contract in duplicate.

KEYSPAN GAS EAST CORPORATION d/b/a BROOKLYN UNION OF LONG ISLAND	KOCH ENERGY TRADING, INC.
By [signature]	By [signature]
Title CHARLES A. DAVERIO, PRESIDENT KEYSPAN ENERGY TRADING SERVICES LLC as Agent for KEYSPAN GAS EAST CORPORATION d/b/a BROOKLYN UNION OF LONG ISLAND	Name Jeff Searle
	Title V.P

DISCLAIMER: The purposes of this Contract are to facilitate trade, avoid misunderstandings and make more definite the terms of contracts of purchase and sale of natural gas. This Contract is intended for Interruptible transactions or Firm transactions of one month or less and may not be suitable for Firm transactions of longer than one month. Further, GISB does not mandate the use of this Contract by any party. GISB DISCLAIMS AND EXCLUDES, AND ANY USER OF THIS CONTRACT ACKNOWLEDGES AND AGREES TO GISB'S DISCLAIMER OF, ANY AND ALL WARRANTIES, CONDITIONS OR REPRESENTATIONS, EXPRESS OR IMPLIED, ORAL OR WRITTEN, WITH RESPECT TO THIS CONTRACT OR ANY PART THEREOF, INCLUDING ANY AND ALL IMPLIED WARRANTIES OR CONDITIONS OF TITLE, NON-INFRINGEMENT, MERCHANTABILITY, OR FITNESS OR SUITABILITY FOR ANY PARTICULAR PURPOSE (WHETHER OR NOT GISB KNOWS, HAS REASON TO KNOW, HAS BEEN ADVISED, OR IS OTHERWISE IN FACT AWARE OF ANY SUCH PURPOSE), WHETHER ALLEGED TO ARISE BY LAW, BY REASON OF CUSTOM OR USAGE IN THE TRADE, OR BY COURSE OF DEALING. EACH USER OF THIS CONTRACT ALSO AGREES THAT UNDER NO CIRCUMSTANCES WILL GISB BE LIABLE FOR ANY DIRECT, SPECIAL, INCIDENTAL, EXEMPLARY, PUNITIVE OR CONSEQUENTIAL DAMAGES ARISING OUT OF ANY USE OF THIS CONTRACT.

GENERAL TERMS AND CONDITIONS
BASE CONTRACT FOR SHORT-TERM
SALE AND PURCHASE OF NATURAL GAS

SECTION 1. PURPOSE AND PROCEDURES

1.1. These General Terms and Conditions are intended to facilitate purchase and sale transactions of Gas on a Firm or Interruptible basis. "Buyer" refers to the party receiving Gas and "Seller" refers to the party delivering Gas.

The parties have selected either the "Oral" version or the "Written" version of transaction procedures as indicated on the Base Contract.
Oral Transaction Procedure:
1.2 The parties will use the following Transaction Confirmation procedure. Any Gas purchase and sale transaction may be effectuated in an EDI transmission or telephone conversation with the offer and acceptance constituting the agreement of the parties. The parties shall be legally bound from the time they so agree to transaction terms and may each rely thereon. Any such transaction shall be considered a "writing" and to have been "signed". Notwithstanding the foregoing sentence, the parties agree that Confirming Party shall, and the other party may, confirm a telephonic transaction by sending the other party a Transaction Confirmation by facsimile. EDI or mutually agreeable electronic means. Confirming Party adopts its confirming letterhead, or the like, as its signature on any Transaction Confirmation as the identification and authentication of Confirming Party.
Written Transaction Procedure:
1.2 The parties will use the following Transaction Confirmation procedure. Should the parties come to an agreement regarding a Gas purchase and sale transaction for a particular Delivery Period, the Confirming Party shall, and the other party may, record that agreement on a Transaction Confirmation and communicate such Transaction Confirmation by facsimile, EDI or mutually agreeable electronic means, to the other party by the close of the Business Day following the date of agreement. The parties acknowledge that their agreement will not be binding until the exchange of non-conflicting Transaction Confirmation or the passage of the Confirm Deadline without objection from the receiving party, as provided in Section 1.3.

1.3. If a sending party's Transaction Confirmation is materially different from the receiving party's understanding of the agreement referred to in Section 1.2., such receiving party shall notify the sending party via facsimile by the Confirm Deadline, unless such receiving party has previously sent a Transaction Confirmation to the sending party. The failure of the receiving party to so notify the sending party in writing by the Confirm Deadline constitutes the receiving party's agreement to the terms of the transaction described in the sending party's Transaction Confirmation. If there are any material differences between timely sent Transaction Confirmations governing the same transaction, then neither Transaction Confirmation shall be binding until or unless such differences are resolved including the use of any evidence that clearly resolves the differences in the Transaction Confirmations. The entire agreement between the parties shall be those provisions contained in both the Base Contract and any effective Transaction Confirmation. In the event of a conflict among the terms of (i) a Transaction Confirmation, (ii) the Base Contract, and (iii) these General Terms and Conditions, the terms of the documents shall govern in the priority listed in this sentence.

SECTION 2 DEFINITIONS

2.1. "Base Contract" shall mean a contract executed by the parties that incorporates these General Terms and Conditions by reference; that specifies the agreed selections of provisions contained herein; and that sets forth other information required herein.

2.2. "British thermal unit" or "Btu" shall have the meaning ascribed to it by the Receiving Transporter.

2.3. "Business Day" shall mean any day except Saturday, Sunday or Federal Reserve Bank holidays.

2.4. "Confirm Deadline" shall mean 5:00 p.m. in the receiving party's time zone on the second Business Day following the Day a Transaction Confirmation is received, or if applicable, on the Business Day agreed to by the parties in the Base Contract; provided, if the Transaction Confirmation is time stamped after 5:00 p.m. in the receiving party's time zone, it shall be deemed received at the opening of the next Business Day.

2.5. "Confirming Party" shall mean the party designated in the Base Contract to prepare and forward Transaction Confirmations to the other party.

2.6. "Contract" shall mean the legally-binding relationship established by (i) the Base Contract and (ii) the provisions contained in any effective Transaction Confirmation.

2.7. "Contract Price" shall mean the amount expressed in U.S. Dollars per MMBtu, as evidenced by the Contract Price on the Transaction Confirmation.

2.8. "Contract Quantity" shall mean the quantity of Gas to be delivered and taken as set forth in the Transaction Confirmation.

2.9. "Cover Standard", if applicable, shall mean that if there is an unexcused failure to take or deliver any quantity of Gas pursuant to this Contract, then the non-defaulting party shall use commercially reasonable efforts to obtain Gas or alternate fuels, or sell Gas, at a price reasonable for the delivery or production area, as applicable, consistent with: the amount of notice provided by the defaulting party; the immediacy of the Buyer's Gas consumption needs or Seller's Gas sales requirements, as applicable; the quantities involved; and the anticipated length of failure by the defaulting party.

2.10. "Day" shall mean a period of 24 consecutive hours, coextensive with a "day" as defined by the Receiving Transporter in a particular transaction.

2.11. "Delivery Period" shall be the period during which deliveries are to be made as set forth in the Transaction Confirmation.

2.12. "Delivery Point(s)" shall mean such point(s) as are mutually agreed upon between Seller and Buyer as set forth in the Transaction Confirmation.

2.13. "EDI" shall mean an electronic data interchange pursuant to an agreement entered into by the parties, specifically relating to the communication of Transaction Confirmations under this Contract.

2.14. "EFP" shall mean the purchase, sale or exchange of natural Gas as the "physical" side of an exchange for physical transaction involving gas futures contracts. EFP shall incorporate the meaning and remedies of "Firm".

2.15. "Firm" shall mean that either party may interrupt its performance without liability only to the extent that such performance is prevented for reasons of Force Majeure; provided, however, that during Force Majeure interruptions, the party invoking Force Majeure may be responsible for any Imbalance Charges as set forth in Section 4.3. related to its interruption after the nomination is made to the Transporter and until the change in deliveries and/or receipts is confirmed by the Transporter.

2.16. "Gas" shall mean any mixture of hydrocarbons and non-combustible gases in a gaseous state consisting primarily of methane.

2.17. "Imbalance Charges" shall mean any fees, penalties, costs or charges (in cash or in kind) assessed by a Transporter for failure to satisfy the Transporter's balance and/or nomination requirements.

2.18. "Interruptible" shall mean that either party may interrupt its performance at any time for any reason, whether or not caused by an event of Force Majeure, with no liability, except such interrupting party may be responsible for any Imbalance Charges as set forth in Section 4.3. related to its interruption after the nomination is made to the Transporter and until the change in deliveries and/or receipts is confirmed by Transporter.

2.19. "MMBtu" shall mean one million British thermal units which is equivalent to one dekatherm.

2.20. "Month" shall mean the period beginning on the first Day of the calendar month and ending immediately prior to the commencement of the first Day of the next calendar month.

2.21. "Payment Date" shall mean a date, selected by the parties in the Base Contract, on or before which payment is due Seller for Gas received by Buyer in the previous Month.

2.22. "Receiving Transporter" shall mean the Transporter receiving Gas at a Delivery Point, or absent such receiving Transporter, the Transporter delivering Gas at a Delivery Point.

2.23. "Scheduled Gas" shall mean the quantity of Gas confirmed by Transporter(s) for movement, transportation or management.

2.24 "Spot Price" as referred in Section 3.2 shall mean the price listed in the publication specified by the parties in the Base Contract, under the listing applicable to the geographic location closest in proximity to the Delivery Point(s) for the relevant Day; provided, if there is no single price published for such location for such Day, but there is published a range of prices, then the Spot Price shall be the average of such high and low prices. If no price or range of prices is published for such Day, then the Spot Price shall be the average of the following: (i) the price (determined as stated above) for the first Day for which a price or range of prices is published that next precedes the relevant Day; and (ii) the price (determined as stated above) for the first Day for which a price or range of prices is published that next follows the relevant Day.

2.25. "Transaction Confirmation" shall mean the document, substantially in the form of Exhibit A, setting forth the terms of a purchase and sale transaction formed pursuant to Section 1. for a particular Delivery Period.

2.26. "Transporter(s)" shall mean all Gas gathering or pipeline companies, or local distribution companies, acting in the capacity of a transporter, transporting Gas for Seller or Buyer upstream or downstream, respectively, of the Delivery Point pursuant to a particular Transaction Confirmation.

SECTION 3 PERFORMANCE OBLIGATION

3.1. Seller agrees to sell and deliver, and Buyer agrees to receive and purchase, the Contract Quantity for a particular transaction in accordance with the terms of the Contract. Sales and purchases will be on a Firm or Interruptible basis, as specified in the Transaction Confirmation.

The parties have selected the "Cover Standard" version or the "Spot Price Standard" version as indicated on the Base Contract.

Cover Standard:

3.2 In addition to any liability for Imbalance Charges, which shall not be recovered twice by the following remedy, the exclusive and sole remedy of the parties in the event of a breach of a Firm obligation shall be recovery of the following: (i) in the event of a breach by Seller on any Day(s), payment by Seller to Buyer in an amount equal to the positive difference, if any, between the purchase price paid by

Buyer utilizing the Cover Standard for replacement Gas or alternative fuels and the Contract Price, adjusted for commercially reasonable differences in transportation costs to or from the Delivery Point(s), multiplied by the difference between the Contract Quantity and the quantity actually delivered by Seller for such Day(s); or (ii) in the event of a breach by Buyer on any Day(s), payment by Buyer to Seller in the amount equal to the positive difference, if any, between the Contract Price and the price received by Seller utilizing the Cover Standard for the resale of such Gas, adjusted for commercially reasonable differences in transportation costs to or from the Delivery Point(s), multiplied by the difference between the Contract Quantity and the quantity actually taken by Buyer for such Day(s); or (iii) in the event that Buyer has used commercially reasonable efforts to replace the Gas or Seller has used commercially reasonable efforts to sell the Gas to a third party, and no such replacement or sale is available, then the exclusive and sole remedy of the non-breaching party shall be any unfavorable difference between the Contract Price and the Spot Price, adjusted for such transportation to the applicable Delivery Point, multiplied by the difference between the Contract Quantity and the quantity actually delivered by Seller and received by Buyer for such Day(s).

Spot Price Standard:

3.2 In addition to any liability for Imbalance Charges, which shall not be recovered twice by the following remedy, the exclusive and sole remedy of the parties in the event of a breach of a Firm obligation shall be recovery of the following: (i) in the event of a breach by Seller on any Day(s), payment by Seller to Buyer in an amount equal to the difference between the Contract Quantity and the actual quantity delivered by Seller and received by Buyer for such Day(s), multiplied by the positive difference, if any, obtained by subtracting the Contract Price from the Spot Price; (ii) in the event of a breach by Buyer on any Day(s), payment by Buyer to Seller in an amount equal to the difference between the Contract Quantity and the actual quantity delivered by Seller and received by Buyer for such Day(s), multiplied by the positive difference, if any, obtained by subtracting the applicable Spot Price from the Contract Price.

EXCEPT AS OTHERWISE SPECIFICALLY PROVIDED HEREIN, IN NO EVENT WILL EITHER PARTY BE LIABLE UNDER THIS CONTRACT, WHETHER IN CONTRACT, IN TORT (INCLUDING NEGLIGENCE AND STRICT LIABILITY), OR OTHERWISE, FOR INCIDENTAL, CONSEQUENTIAL, SPECIAL, OR PUNITIVE DAMAGES.

SECTION 4. TRANSPORTATION, NOMINATIONS AND IMBALANCES

4.1. Seller shall have the sole responsibility for transporting the Gas to the Delivery Point(s) and for delivering such Gas at a pressure sufficient to effect such delivery but not to exceed the maximum operating pressure of the Receiving Transporter. Buyer shall have the sole responsibility for transporting the Gas from the Delivery Point(s).

4.2. The parties shall coordinate their nomination activities, giving sufficient time to meet the deadlines of the affected Transporter(s). Each party shall give the other party timely prior notice, sufficient to meet the requirements of all Transporter(s) involved in the transaction, of the quantities of Gas to be delivered and purchased each Day. Should either party become aware that actual deliveries at the Delivery Point(s) are greater or lesser than the Scheduled Gas, such party shall promptly notify the other party.

4.3. The parties shall use commercially reasonable efforts to avoid imposition of any Imbalance Charges. If Buyer or Seller receives an invoice from a Transporter that includes Imbalance Charges, the parties shall determine the validity as well as the cause of such Imbalance Charges. If the Imbalance Charges were incurred as a result of Buyer's actions or inactions (which shall include, but shall not be limited to, Buyer's failure to accept quantities of Gas equal to the Scheduled Gas), then Buyer shall pay for such Imbalance Charges, or reimburse Seller for such Imbalance Charges paid by Seller to the Transporter. If the Imbalance Charges were incurred as a result of Seller's actions or inactions (which shall include, but shall not be limited to, Seller's failure to deliver quantities of Gas equal to the Scheduled Gas), then Seller shall pay for such Imbalance Charges, or reimburse Buyer for such Imbalance Charges paid by Buyer to the Transporter.

SECTION 5. QUALITY AND MEASUREMENT

All Gas delivered by Seller shall meet the quality and heat content requirements of the Receiving Transporter. The unit of quantity measurement for purposes of this Contract shall be one MMBtu dry. Measurement of Gas quantities hereunder shall be in accordance with the established procedures of the Receiving Transporter.

SECTION 6. TAXES

The parties have selected either the "Buyer Pays At and After Delivery Point" version or the "Seller Pays Before and At Delivery Point" version as indicated on the Base Contract.

Buyer Pays At and After Delivery Point:

Seller shall pay or cause to be paid all taxes, fees, levies, penalties, licenses or charges imposed by any government authority ("Taxes") on or with respect to the Gas prior to the Delivery Point(s). Buyer shall pay or cause to be paid all Taxes on or with respect to the Gas at the Delivery Point(s) and all Taxes after the Delivery Point(s). If a party is required to remit or pay Taxes that are the other party's responsibility hereunder, the party responsible for such Taxes shall promptly reimburse the other party for such Taxes. Any party entitled to an exemption from any such Taxes or charges shall furnish the other party any necessary documentation thereof.

Seller Pays Before and At Delivery Point:
Seller shall pay or cause to be paid all taxes, fees, levies, penalties, licenses or charges imposed by any government authority ("Taxes") on or with respect to he Gas prior to the Delivery Point(s) and all Taxes at the Delivery Point(s). Buyer shall pay or cause to be paid all Taxes on or with respect to the Gas after the Delivery Point(s). If a party is required to remit or pay Taxes which are the other party's responsibility hereunder, the party responsible for such Taxes shall promptly reimburse the other party for such Taxes. Any party entitled to an exemption from any such Taxes or charges shall furnish the other party any necessary documentation thereof.

SECTION 7. BILLING, PAYMENT AND AUDIT

7.1. Seller shall invoice Buyer for Gas delivered and received in the preceding Month and for any other applicable charges, providing supporting documentation acceptable in industry practice to support the amount charged. If the actual quantity delivered is not known by the billing date, billing will be prepared based on the quantity of Scheduled Gas. The invoiced quantity will then be adjusted to the actual quantity on the following Month's billing or as soon thereafter as actual delivery information is available.

7.2. Buyer shall remit the amount due in the manner specified in the Base Contract, in immediately available funds, on or before the later of the Payment Date or 10 days after receipt of the invoice by Buyer; provided that if the Payment Date is not a Business Day, payment is due on the next Business Day following that date. If Buyer fails to remit the full amount payable by it when due, interest on the unpaid portion shall accrue at a rate equal to the lower of (i) the then-effective prime rate of interest published under "Money Rates" by The Wall Street Journal, plus two percent per annum from the date due until the date of payment; or (ii) the maximum applicable lawful interest rate. If Buyer, in good faith, disputes the amount of any such statement or any part thereof, Buyer will pay to Seller such amount as it concedes to be correct; provided, however, if Buyer disputes the amount due, Buyer must provide supporting documentation acceptable in industry practice to support the amount paid or disputed.

7.3. In the event any payments are due Buyer hereunder, payment to Buyer shall be made in accordance with Section 7.2. above.

7.4. A party shall have the right, at its own expense, upon reasonable notice and at reasonable times, to examine the books and records of the other party only to the extent reasonably necessary to verify the accuracy of any statement, charge, payment, or computation made under the Contract. This examination right shall not be available with respect to proprietary information not directly relevant to transactions under this Contract. All invoices and billings shall be conclusively presumed final and accurate unless objected to in writing, with adequate explanation and/or documentation, within two years after the Month of Gas delivery. All retroactive adjustments under Section 7. shall be paid in full by the party owing payment within 30 days of notice and substantiation of such inaccuracy.

SECTION 8. TITLE, WARRANTY AND INDEMNITY

8.1. Unless otherwise specifically agreed, title to the Gas shall pass from Seller to Buyer at the Delivery Point(s). Seller shall have responsibility for and assume any liability with respect to the Gas prior to its delivery to Buyer at the specified Delivery Point(s). Buyer shall have responsibility for and assume any liability with respect to said Gas after its delivery to Buyer at the Delivery Point(s).

8.2. Seller warrants that it will have the right to convey and will transfer good and merchantable title to all Gas sold hereunder and delivered by it to Buyer, free and clear of all liens, encumbrances, and claims.

8.3. Seller agrees to indemnify Buyer and save it harmless from all losses, liabilities or claims including attorneys' fees and costs of court ("Claims"), from any and all persons, arising from or out of claims of title, personal injury or property damage from said Gas or other charges thereon which attach before title passes to Buyer. Buyer agrees to indemnify Seller and save it harmless from all Claims, from any and all persons, arising from or out of claims regarding payment, personal injury or property damage from said Gas or other charges thereon which attach after title passes to Buyer.

8.4. Notwithstanding the other provisions of this Section 8., as between Seller and Buyer, Seller will be liable for all Claims to the extent that such arise from the failure of Gas delivered by Seller to meet the quality requirements of Section 5.

SECTION 9. NOTICES

9.1. All Transaction Confirmations, invoices, payments and other communications made pursuant to the Base Contract ("Notices") shall be made to the addresses specified in writing by the respective parties from time to time.

9.2. All Notices required hereunder may be sent by facsimile or mutually acceptable electronic means, a nationally recognized

overnight courier service, first class mail or hand delivered.

9.3. Notice shall be given when received on a Business Day by the addressee. In the absence of proof of the actual receipt date, the following presumptions will apply. Notices sent by facsimile shall be deemed to have been received upon the sending party's receipt of its facsimile machine's confirmation of successful transmission, if the day on which such facsimile is received is not a Business Day or is after five p.m. on a Business Day, then such facsimile shall be deemed to have been received on the next following Business Day. Notice by overnight mail or courier shall be deemed to have been received on the next Business Day after it was sent or such earlier time as is confirmed by the receiving party. Notice via first class mail shall be considered delivered two Business Days after mailing.

SECTION 10. FINANCIAL RESPONSIBILITY

10.1. When reasonable grounds for insecurity of payment or title to the Gas arise, either party may demand adequate assurance of performance. Adequate assurance shall mean sufficient security in the form and for the term reasonably specified by the party demanding assurance, including, but not limited to, a standby irrevocable letter of credit, a prepayment, a security interest in an asset acceptable to the demanding party or a performance bond or guarantee by a creditworthy entity. In the event either party shall (i) make an assignment or any general arrangement for the benefit of creditors; (ii) default in the payment obligation to the other party; (iii) file a petition or otherwise commence, authorize, or acquiesce in the commencement of a proceeding or cause under any bankruptcy or similar law for the protection of creditors or have such petition filed or proceeding commenced against it; (iv) otherwise become bankrupt or insolvent (however evidenced); or (v) be unable to pay its debts as they fall due; then the other party shall have the right to either withhold and/or suspend deliveries or payment, or terminate the Contract without prior notice, in addition to any and all other remedies available hereunder. Seller may immediately suspend deliveries to Buyer hereunder in the event Buyer has not paid any amount due Seller hereunder on or before the second day following the date such payment is due.

10.2. Each party reserves to itself all rights, set-offs, counterclaims, and other defenses which it is or may be entitled to arising from the Contract.

SECTION 11. FORCE MAJEURE

11.1. Except with regard to a party's obligation to make payment due under Section ~~7. and Imbalance Charges~~ under Section 4, neither party shall be liable to the other for failure to perform a Firm obligation, to the extent such failure was caused by Force Majeure. The term "Force Majeure" as employed herein means any cause not reasonably within the control of the party claiming suspension, as further defined in Section 11.2.

11.2. Force Majeure shall include but not be limited to the following: (i) physical events such as acts of God, landslides, lightning, earthquakes, fires, storms or storm warnings, such as hurricanes, which result in evacuation of the affected area, floods, washouts, explosions, breakage or accident or necessity of repairs to machinery or equipment or lines of pipe; (ii) weather related events affecting an entire geographic region, such as low temperatures which cause freezing or failure of wells or lines of pipe; (iii) interruption of firm transportation and/or storage by Transporters; (iv) acts of others such as strikes, lockouts or other industrial disturbances, riots, sabotage, insurrections or wars; and (v) governmental actions such as necessity for compliance with any court order, law, statute, ordinance, or regulation promulgated by a governmental authority having jurisdiction. Seller and Buyer shall make reasonable efforts to avoid the adverse impacts of a Force Majeure and to resolve the event or occurrence once it has occurred in order to resume performance.

11.3. Neither party shall be entitled to the benefit of the provisions of Force Majeure to the extent performance is affected by any or all of the following circumstances: (i) the curtailment of interruptible or secondary firm transportation unless primary, in-path, firm transportation is also curtailed; (ii) the party claiming excuse failed to remedy the condition and to resume the performance of such covenants or obligations with reasonable dispatch; or (iii) economic hardship. The party claiming Force Majeure shall not be excused from its responsibility for Imbalance Charges.

11.4. Notwithstanding anything to the contrary herein, the parties agree that the settlement of strikes, lockouts or other industrial disturbances shall be entirely within the sole discretion of the party experiencing such disturbance.

11.5. The party whose performance is prevented by Force Majeure must provide notice to the other party. Initial notice may be given orally; however, written notification with reasonably full particulars of the event or occurrence is required as soon as reasonably possible. Upon providing written notification of Force Majeure to the other party, the affected party will be relieved of its obligation to make or accept delivery of Gas as applicable to the extent and for the duration of Force Majeure, and neither party shall be deemed to have failed in such obligations to the other during such occurrence or event.

SECTION 12. TERM

This Contract may be terminated on 30 days' written notice, but shall remain in effect until the expiration of the latest Delivery Period of any Transaction Confirmation(s). The rights of either party pursuant to Section 7.4., the obligations to make payment hereunder, and the obligation of either party to indemnify the other, pursuant hereto shall survive the termination of the Base Contract or any Transaction Confirmation.

SECTION 13. MISCELLANEOUS

13.1. This Contract shall be binding upon and inure to the benefit of the successors, assigns, personal representatives, and heirs of the respective parties hereto, and the covenants, conditions, rights and obligations of this Contract shall run for the full term of this Contract. No assignment of this Contract, in whole or in part, will be made without the prior written consent of the non-assigning party, which consent will not be unreasonably withheld or delayed; provided, either party may transfer its interest to any parent or affiliate by assignment, merger or otherwise without the prior approval of the other party. Upon any transfer and assumption, the transferor shall not be relieved of or discharged from any obligations hereunder.

13.2. If any provision in this Contract is determined to be invalid, void or unenforceable by any court having jurisdiction, such determination shall not invalidate, void, or make unenforceable any other provision, agreement or covenant of this Contract.

13.3. No waiver of any breach of this Contract shall be held to be a waiver of any other or subsequent breach.

13.4. This Contract sets forth all understandings between the parties respecting each transaction subject hereto, and any prior contracts, understandings and representations, whether oral or written, relating to such transactions are merged into and superseded by this Contract and any effective Transaction Confirmation(s). This Contract may be amended only by a writing executed by both parties.

13.5. The interpretation and performance of this Contract shall be governed by the laws of the state specified by the parties in the Base Contract, excluding, however, any conflict of laws rule which would apply the law of another jurisdiction.

13.6. This Contract and all provisions herein will be subject to all applicable and valid statutes, rules, orders and regulations of any Federal, State, or local governmental authority having jurisdiction over the parties, their facilities, or Gas supply, this Contract or Transaction Confirmation or any provisions thereof.

13.7. There is no third party beneficiary to this Contract..

13.8. Each party to this Contract represents and warrants that it has full and complete authority to enter into and perform this Contract. Each person who executes this Contract on behalf of either party represents and warrants that it has full and complete authority to do so and that such party will be bound thereby.

TRANSACTION CONFIRMATION
FOR IMMEDIATE DELIVERY

EXHIBIT A

Date: ______________________, 199__
Transaction Confirmation #: ______________

This Transaction Confirmation is subject to the Base Contract between Seller and Buyer dated ______________. The terms of this Transaction Confirmation are binding unless disputed in writing within Business Days of receipt unless otherwise specified in the Base Contract.

SELLER:	BUYER:
______________________	______________________
______________________	______________________
______________________	______________________
Attn: ______________	Attn: ______________
Phone: ______________	Phone: ______________
Fax: ______________	Fax: ______________
Base Contract No. ______________	Base Contract No. ______________
Transporter: ______________	Transporter: ______________
Transporter Contract Number: ______________	Transporter Contract Number: ______________

Contract Price: $_____/MMBtu or ______________________

Delivery Period: Begin: __________, 199_ End: __________, 199_

Performance Obligation and Contract Quantity: (Select One)

Firm (Fixed Quantity):	**Firm (Variable Quantity):**	**Interruptible:**
_______ MMBtus/day	_______ MMBtus/day Minimum	Up to _______ MMBtus/day
☐ EFP	_______ MMBtus/day Maximum	
	subject to Section 4.2. at election of	
	☐ Buyer or ☐ Seller	

Delivery Point(s): ______________________
(If a pooling point is used, list a specific geographic and pipeline location):

Special Conditions:

Seller: ______________________	Buyer: ______________________
By: ______________________	By: ______________________
Title: ______________________	Title: ______________________
Date: ______________________	Date: ______________________

BASE CONTRACT FOR SHORT-TERM SALE AND PURCHASE OF NATURAL GAS

is Base Contract is entered into as of the following date:
The parties to this Base Contract are the following:

KeySpan-Ravenswood, Inc.	Koch Energy Trading, Inc.
38-54 Vernon Blvd., Long Island City, NY 11101	PO Box 3327, 20 Greenway Plaza, Houston, TX 77253
Duns # 11-456-9507	Duns # 94-436-3795
Contract #	Contract # 70761
Attn: Mary Brolly	Attn: Contract Administration
Phone: (718) 749-2518 Fax: (718) 886-0571	Phone: 713-544-4975 Fax: 713-544-5551
Federal Tax ID Number: 11-3484082	Federal Tax ID Number: 48-1159557

and

Invoices and Payments:

KeySpan-Ravenswood, Inc.	Koch Energy Trading, Inc.
14-04 111th Street, College Point, New York 11356	PO Box 3327, 20 Greenway Plaza, Houston, TX 77253
Attn: Energy Reconciliation & Billing	Attn: Accounting Department
Phone: (718) 749-2520 Fax: (718) 886-0631	Phone: (713) 544-4568 Fax: (713) 544-5299
Wire Transfer or ACH ~~Nos. (if applicable)~~	Wire Transfer ~~or ACH Nos. (if applicable)~~
Chase Manhattan Bank, ABA # 021000021, Acct # 136069134	Chase Manhattan Bank, ABA #021000021, Acct #323009980

This Base Contract incorporates by reference for all purposes the General Terms and Conditions for Short-Term Sale and Purchase of Natural Gas published by the Gas Industry Standards Board. The parties hereby agree to the following provisions offered in said General Terms and Conditions (select only one from each box, but see "*Note*" relating to Section 2.24.):

Section 1.2 Transaction Procedure	☒ Oral ☐ Written	Section 6. Taxes	☐ Buyer Pays At and After Delivery Point ☒ Seller Pays Before and At Delivery Point
Section 2.4 Confirm Deadline	☒ 3 Business Days after receipt (default) ☐ Business Days after receipt	Section 7.2 Payment Date	25th date of Month following Month of delivery
Section 2.5 Confirming Party	☒ Seller ☐ Buyer ☐	Section 7.2 Method of Payment	☒ Wire Transfer (WT) ☒ Automated Clearinghouse (ACH) ☐ Check
Section 3.2 Performance Obl.	☐ Cover Standard ☒ Spot Price Standard		
Note: The following Spot Price Publication applies to both of the immediately preceding Standards and must be filled in after a Standard is selected.		Section 13.5 CHOICE OF LAW:	New York
Section 2.24 Spot Price Publication:	Gas Daily		
☐ Special Provisions: Number of sheets attached:			

IN WITNESS WHEREOF, the parties hereto have executed this Base Contract in duplicate.

KeySpan-Ravenswood, Inc.	Koch Energy Trading, Inc. KLF
(Party Name)	*(Party Name)*
By: William Kinneary	By
Title: Senior Vice President, KeySpan Energy Supply Corp.	Title V. P.

As agent for KeySpan-Ravenswood, Inc.

DISCLAIMER: The purposes of this Contract are to facilitate trade, avoid misunderstandings and make more definite the terms of contracts of purchase and sale of natural gas. This Contract is intended for Interruptible transactions or Firm transactions of one month or less and may not be suitable for Firm transactions of longer than one month. Further, GISB does not mandate the use of this Contract by any party. GISB DISCLAIMS AND EXCLUDES, AND ANY USER OF THIS CONTRACT ACKNOWLEDGES AND AGREES TO GISB'S DISCLAIMER OF, ANY AND ALL WARRANTIES, CONDITIONS OR REPRESENTATIONS, EXPRESS OR IMPLIED, ORAL OR WRITTEN, WITH RESPECT TO THIS CONTRACT OR ANY PART THEREOF, INCLUDING ANY AND ALL IMPLIED WARRANTIES OR CONDITIONS OF TITLE, NON-INFRINGEMENT, MERCHANTABILITY, OR FITNESS OR SUITABILITY FOR ANY PARTICULAR PURPOSE (WHETHER OR NOT GISB KNOWS, HAS REASON TO KNOW, HAS BEEN ADVISED, OR IS OTHERWISE IN FACT AWARE OF ANY SUCH PURPOSE), WHETHER ALLEGED TO ARISE BY LAW, BY REASON OF CUSTOM OR USAGE IN THE TRADE, OR BY COURSE OF DEALING. EACH USER OF THIS CONTRACT ALSO AGREES THAT UNDER NO CIRCUMSTANCES WILL GISB BE LIABLE FOR ANY DIRECT, SPECIAL, INCIDENTAL, EXEMPLARY, PUNITIVE OR CONSEQUENTIAL DAMAGES ARISING OUT OF ANY USE OF THIS CONTRACT.

GENERAL TERMS AND CONDITIONS
BASE CONTRACT FOR SHORT-TERM
SALE AND PURCHASE OF NATURAL GAS

ECTION 1. PURPOSE AND PROCEDURES

1.1. These General Terms and Conditions are intended to facilitate purchase and sale transactions of Gas on a Firm or Interruptible basis. "Buyer" refers to the party receiving Gas and "Seller" refers to the party delivering Gas.

The parties have selected either the "Oral" version or the "Written" version of transaction procedures as indicated on the Base Contract.
Oral Transaction Procedure:
1.2 The parties will use the following Transaction Confirmation procedure. Any Gas purchase and sale transaction may be effectuated in an EDI transmission or telephone conversation with the offer and acceptance constituting the agreement of the parties. The parties shall be legally bound from the time they so agree to transaction terms and may each rely thereon. Any such transaction shall be considered a "writing" and to have been "signed". Notwithstanding the foregoing sentence, the parties agree that Confirming Party shall, and the other party may, confirm a telephonic transaction by sending the other party a Transaction Confirmation by facsimile, EDI or mutually agreeable electronic means. Confirming Party adopts its confirming letterhead, or the like, as its signature on any Transaction Confirmation as the identification and authentication of Confirming Party.
Written Transaction Procedure:
1.2 The parties will use the following Transaction Confirmation procedure. Should the parties come to an agreement regarding a Gas purchase and sale transaction for a particular Delivery Period, the Confirming Party shall, and the other party may, record that agreement on a Transaction Confirmation and communicate such Transaction Confirmation by facsimile, EDI or mutually agreeable electronic means, to the other party by the close of the Business Day following the date of agreement. The parties acknowledge that their agreement will not be binding until the exchange of non-conflicting Transaction Confirmation or the passage of the Confirm Deadline without objection from the receiving party, as provided in Section 1.3.

1.3. If a sending party's Transaction Confirmation is materially different from the receiving party's understanding of the agreement referred to in Section 1.2., such receiving party shall notify the sending party via facsimile by the Confirm Deadline, unless such receiving party has previously sent a Transaction Confirmation to the sending party. The failure of the receiving party to so notify the sending party in writing by the Confirm Deadline constitutes the receiving party's agreement to the terms of the transaction described in the sending party's Transaction Confirmation. If there are any material differences between timely sent Transaction Confirmations governing the same transaction, then neither Transaction Confirmation shall be binding until or unless such differences are resolved including the use of any evidence that clearly resolves the differences in the Transaction Confirmations. The entire agreement between the parties shall be those provisions contained in both the Base Contract and any effective Transaction Confirmation. In the event of a conflict among the terms of (i) a Transaction Confirmation, (ii) the Base Contract, and (iii) these General Terms and Conditions, the terms of the documents shall govern in the priority listed in this sentence.

SECTION 2 DEFINITIONS

2.1. "Base Contract" shall mean a contract executed by the parties that incorporates these General Terms and Conditions by reference; that specifies the agreed selections of provisions contained herein; and that sets forth other information required herein.

2.2. "British thermal unit" or "Btu" shall have the meaning ascribed to it by the Receiving Transporter.

2.3. "Business Day" shall mean any day except Saturday, Sunday or Federal Reserve Bank holidays.

2.4. "Confirm Deadline" shall mean 5:00 p.m. in the receiving party's time zone on the second Business Day following the Day a Transaction Confirmation is received, ~~or if applicable~~, on the Business Day agreed to by the parties ~~in the Base Contract; provided~~, if the Transaction Confirmation is time stamped after 5:00 p.m. in the receiving party's time zone, it shall be deemed received at the opening of the next Business Day.

2.5. "Confirming Party" shall mean the party designated in the Base Contract to prepare and forward Transaction Confirmations to the other party.

2.6. "Contract" shall mean the legally-binding relationship established by (i) the Base Contract and (ii) the provisions contained in any effective Transaction Confirmation.

2.7. "Contract Price" shall mean the amount expressed in U.S. Dollars per MMBtu, as evidenced by the Contract Price on the Transaction Confirmation.

2.8. "Contract Quantity" shall mean the quantity of Gas to be delivered and taken as set forth in the Transaction Confirmation.

2.9. "Cover Standard", if applicable, shall mean that if there is an unexcused failure to take or deliver any quantity of Gas pursuant to this Contract, then the non-defaulting party shall use commercially reasonable efforts to obtain Gas or alternate fuels, or sell Gas, at a price reasonable for the delivery or production area, as applicable, consistent with: the amount of notice provided by the defaulting party; the immediacy of the Buyer's Gas consumption needs or Seller's Gas sales requirements, as applicable; the quantities involved; and the anticipated length of failure by the

. defaulting party.

2.10. "Day" shall mean a period of 24 consecutive hours, coextensive with a "day" as defined by the Receiving Transporter in a particular transaction.

2.11. "Delivery Period" shall be the period during which deliveries are to be made as set forth in the Transaction Confirmation.

2.12. "Delivery Point(s)" shall mean such point(s) as are mutually agreed upon between Seller and Buyer as set forth in the Transaction Confirmation.

2.13. "EDI" shall mean an electronic data interchange pursuant to an agreement entered into by the parties, specifically relating to the communication of Transaction Confirmations under this Contract.

2.14. "EFP" shall mean the purchase, sale or exchange of natural Gas as the "physical" side of an exchange for physical transaction involving gas futures contracts. EFP shall incorporate the meaning and remedies of "Firm".

2.15. "Firm" shall mean that either party may interrupt its performance without liability only to the extent that such performance is prevented for reasons of Force Majeure; provided, however, that during Force Majeure interruptions, the party invoking Force Majeure may be responsible for any Imbalance Charges as set forth in Section 4.3. related to its interruption after the nomination is made to the Transporter and until the change in deliveries and/or receipts is confirmed by the Transporter.

2.16. "Gas" shall mean any mixture of hydrocarbons and non-combustible gases in a gaseous state consisting primarily of methane.

2.17. "Imbalance Charges" shall mean any fees, penalties, costs or charges (in cash or in kind) assessed by a Transporter for failure to satisfy the Transporter's balance and/or nomination requirements.

2.18. "Interruptible" shall mean that either party may interrupt its performance at any time for any reason, whether or not caused by an event of Force Majeure, with no liability, except such interrupting party may be responsible for any Imbalance Charges as set forth in Section 4.3. related to its interruption after the nomination is made to the Transporter and until the change in deliveries and/or receipts is confirmed by Transporter.

2.19. "MMBtu" shall mean one million British thermal units which is equivalent to one dekatherm.

2.20. "Month" shall mean the period beginning on the first Day of the calendar month and ending immediately prior to the commencement of the first Day of the next calendar month.

2.21. "Payment Date" shall mean a date, selected by the parties in the Base Contract, on or before which payment is due Seller for Gas received by Buyer in the previous Month.

2.22. "Receiving Transporter" shall mean the Transporter receiving Gas at a Delivery Point, or absent such receiving Transporter, the Transporter delivering Gas at a Delivery Point.

2.23. "Scheduled Gas" shall mean the quantity of Gas confirmed by Transporter(s) for movement, transportation or management.

2.24 "Spot Price" as referred in Section 3.2 shall mean the price listed in the publication specified by the parties in the Base Contract, under the listing applicable to the geographic location closest in proximity to the Delivery Point(s) for the relevant Day; provided, if there is no single price published for such location for such Day, but there is published a range of prices, then the Spot Price shall be the average of such high and low prices. If no price or range of prices is published for such Day, then the Spot Price shall be the average of the following: (i) the price (determined as stated above) for the first Day for which a price or range of prices is published that next precedes the relevant Day; and (ii) the price (determined as stated above) for the first Day for which a price or range of prices is published that next follows the relevant Day.

2.25. "Transaction Confirmation" shall mean the document, substantially in the form of Exhibit A, setting forth the terms of a purchase and sale transaction formed pursuant to Section 1 for a particular Delivery Period.

2.26. "Transporter(s)" shall mean all Gas gathering or pipeline companies, or local distribution companies, acting in the capacity of a transporter, transporting Gas for Seller or Buyer upstream or downstream, respectively, of the Delivery Point pursuant to a particular Transaction Confirmation.

SECTION 3 PERFORMANCE OBLIGATION

3.1. Seller agrees to sell and deliver, and Buyer agrees to receive and purchase, the Contract Quantity for a particular transaction in accordance with the terms of the Contract. Sales and purchases will be on a Firm or Interruptible basis, as specified in the Transaction Confirmation.

The parties have selected the "Cover Standard" version or the "Spot Price Standard" version as indicated on the Base Contract.

Cover Standard:

3.2 In addition to any liability for Imbalance Charges, which shall not be recovered twice by the following remedy, the exclusive and sole remedy of the parties in the event of a breach of a Firm obligation shall be recovery of the following: (i) in the event of a breach by Seller on any Day(s), payment by Seller to Buyer in an amount equal to the positive difference, if any, between the purchase price paid by Buyer utilizing the Cover Standard for replacement Gas or alternative fuels and the Contract Price, adjusted for commercially reasonable differences in transportation costs to or from the Delivery Point(s), multiplied by the difference between the Contract Quantity and the quantity actually delivered by Seller for such Day(s); or (ii) in the event of a breach by Buyer on any Day(s), payment by Buyer to Seller in the amount equal to the positive difference, if any, between the Contract Price and the price received by Seller utilizing the Cover Standard for the resale of such Gas, adjusted for commercially reasonable differences in transportation costs to or from the Delivery Point(s), multiplied by the difference between the Contract Quantity and the quantity actually taken by Buyer for such Day(s); or (iii) in the event that Buyer has used commercially reasonable efforts to replace the Gas or Seller has used commercially reasonable efforts to sell the Gas to a third party, and no such replacement or sale is available, then the exclusive and sole remedy of the non-breaching party shall be any unfavorable difference between the Contract Price and the Spot Price, adjusted for such transportation to the applicable Delivery Point, multiplied by the difference between the Contract Quantity and the quantity actually delivered by Seller and received by Buyer for such Day(s).

Spot Price Standard:

3.2 In addition to any liability for Imbalance Charges, which shall not be recovered twice by the following remedy, the exclusive and sole remedy of the parties in the event of a breach of a Firm obligation shall be recovery of the following: (i) in the event of a breach by Seller on any Day(s), payment by Seller to Buyer in an amount equal to the difference between the Contract Quantity and the actual quantity delivered by Seller and received by Buyer for such Day(s), multiplied by the positive difference, if any, obtained by subtracting the Contract Price from the Spot Price; (ii) in the event of a breach by Buyer on any Day(s), payment by Buyer to Seller in an amount equal to the difference between the Contract Quantity and the actual quantity delivered by Seller and received by Buyer for such Day(s), multiplied by the positive difference, if any, obtained by subtracting the applicable Spot Price from the Contract Price.

3.3. EXCEPT AS OTHERWISE SPECIFICALLY PROVIDED HEREIN, IN NO EVENT WILL EITHER PARTY BE LIABLE UNDER THIS CONTRACT, WHETHER IN CONTRACT, IN TORT (INCLUDING NEGLIGENCE AND STRICT LIABILITY), OR OTHERWISE, FOR INCIDENTAL, CONSEQUENTIAL, SPECIAL, OR PUNITIVE DAMAGES.

SECTION 4. TRANSPORTATION, NOMINATIONS AND IMBALANCES

4.1. Seller shall have the sole responsibility for transporting the Gas to the Delivery Point(s) and for delivering such Gas at a pressure sufficient to effect such delivery but not to exceed the maximum operating pressure of the Receiving Transporter. Buyer shall have the sole responsibility for transporting the Gas from the Delivery Point(s).

4.2. The parties shall coordinate their nomination activities, giving sufficient time to meet the deadlines of the affected Transporter(s). Each party shall give the other party timely prior notice, sufficient to meet the requirements of all Transporter(s) involved in the transaction, of the quantities of Gas to be delivered and purchased each Day. Should either party become aware that actual deliveries at the Delivery Point(s) are greater or lesser than the Scheduled Gas, such party shall promptly notify the other party.

4.3. The parties shall use commercially reasonable efforts to avoid imposition of any Imbalance Charges. If Buyer or Seller receives an invoice from a Transporter that includes Imbalance Charges, the parties shall determine the validity as well as the cause of such Imbalance Charges. If the Imbalance Charges were incurred as a result of Buyer's actions or inactions (which shall include, but shall not be limited to, Buyer's failure to accept quantities of Gas equal to the Scheduled Gas), then Buyer shall pay for such Imbalance Charges, or reimburse Seller for such Imbalance Charges paid by Seller to the Transporter. If the Imbalance Charges were incurred as a result of Seller's actions or inactions (which shall include, but shall not be limited to, Seller's failure to deliver quantities of Gas equal to the Scheduled Gas), then Seller shall pay for such Imbalance Charges, or reimburse Buyer for such Imbalance Charges paid by Buyer to the Transporter.

SECTION 5. QUALITY AND MEASUREMENT

All Gas delivered by Seller shall meet the quality and heat content requirements of the Receiving Transporter. The unit of quantity measurement for purposes of this Contract shall be one MMBtu dry. Measurement of Gas quantities hereunder shall be in accordance with the established procedures of the Receiving Transporter.

SECTION 6. TAXES

The parties have selected either the "Buyer Pays At and After Delivery Point" version or the "Seller Pays Before and At Delivery Point" version as indicated on the Base Contract.

Buyer Pays At and After Delivery Point:

Seller shall pay or cause to be paid all taxes, fees, levies, penalties, licenses or charges imposed by any government authority ("Taxes") on or with respect to the Gas prior to the Delivery Point(s). Buyer shall pay or cause to be paid all Taxes on or with respect to the Gas at the Delivery Point(s) and all Taxes after the Delivery Point(s). If a party is required to remit or pay Taxes that are the other party's responsibility hereunder, the party responsible for such Taxes shall promptly reimburse the other party for such Taxes. Any party entitled to an exemption from any such Taxes or charges shall furnish the other party any necessary documentation thereof.

Seller Pays Before and At Delivery Point:

Seller shall pay or cause to be paid all taxes, fees, levies, penalties, licenses or charges imposed by any government authority ("Taxes") on or with respect to the Gas prior to the Delivery Point(s) and all Taxes at the Delivery Point(s). Buyer shall pay or cause to be paid all Taxes on or with respect to the Gas after the Delivery Point(s). If a party is required to remit or pay Taxes which are the other party's responsibility hereunder, the party responsible for such Taxes shall promptly reimburse the other party for such Taxes. Any party entitled to an exemption from any such Taxes or charges shall furnish the other party any necessary documentation thereof.

SECTION 7. BILLING, PAYMENT AND AUDIT

7.1. Seller shall invoice Buyer for Gas delivered and received in the preceding Month and for any other applicable charges, providing supporting documentation acceptable in industry practice to support the amount charged. If the actual quantity delivered is not known by the billing date, billing will be prepared based on the quantity of Scheduled Gas. The invoiced quantity will then be adjusted to the actual quantity on the following Month's billing or as soon thereafter as actual delivery information is available.

7.2. Buyer shall remit the amount due in the manner specified in the Base Contract, in immediately available funds, on or before the later of the Payment Date or 10 days after receipt of the invoice by Buyer; provided that if the Payment Date is not a Business Day, payment is due on the next Business Day following that date. If Buyer fails to remit the full amount payable by it when due, interest on the unpaid portion shall accrue at a rate equal to the lower of (i) the then-effective prime rate of interest published under "Money Rates" by The Wall Street Journal, plus two percent per annum from the date due until the date of payment; or (ii) the maximum applicable lawful interest rate. If Buyer, in good faith, disputes the amount of any such statement or any part thereof, Buyer will pay to Seller such amount as it concedes to be correct; provided, however, if Buyer disputes the amount due, Buyer must provide supporting documentation acceptable in industry practice to support the amount paid or disputed.

7.3. In the event any payments are due Buyer hereunder, payment to Buyer shall be made in accordance with Section 7.2. above.

7.4. A party shall have the right, at its own expense, upon reasonable notice and at reasonable times, to examine the books and records of the other party only to the extent reasonably necessary to verify the accuracy of any statement, charge, payment, or computation made under the Contract. This examination right shall not be available with respect to proprietary information not directly relevant to transactions under this Contract. All invoices and billings shall be conclusively presumed final and accurate unless objected to in writing, with adequate explanation and/or documentation, within two years after the Month of Gas delivery. All retroactive adjustments under Section 7. shall be paid in full by the party owing payment within 30 days of notice and substantiation of such inaccuracy.

SECTION 8. TITLE, WARRANTY AND INDEMNITY

8.1. Unless otherwise specifically agreed, title to the Gas shall pass from Seller to Buyer at the Delivery Point(s). Seller shall have responsibility for and assume any liability with respect to the Gas prior to its delivery to Buyer at the specified Delivery Point(s). Buyer shall have responsibility for and assume any liability with respect to said Gas after its delivery to Buyer at the Delivery Point(s).

8.2. Seller warrants that it will have the right to convey and will transfer good and merchantable title to all Gas sold hereunder and delivered by it to Buyer, free and clear of all liens, encumbrances, and claims.

8.3. Seller agrees to indemnify Buyer and save it harmless from all losses, liabilities or claims including attorneys' fees and costs of court ("Claims"), from any and all persons, arising from or out of claims of title, personal injury or property damage from said Gas or other charges thereon which attach before title passes to Buyer. Buyer agrees to indemnify Seller and save it harmless from all Claims, from any and all persons, arising from or out of claims regarding payment, personal injury or property damage from said Gas or other charges thereon which attach after title passes to Buyer.

8.4. Notwithstanding the other provisions of this Section 8., as between Seller and Buyer, Seller will be liable for all Claims to the extent that such arise from the failure of Gas delivered by Seller to meet the quality requirements of Section 5.

SECTION 9. NOTICES

9.1. All Transaction Confirmations, invoices, payments and other communications made pursuant to the Base Contract ("Notices") shall be made to the addresses specified in writing by the respective parties from time to time.

9.2. All Notices required hereunder may be sent by facsimile or mutually acceptable electronic means, a nationally recognized overnight courier service, first class mail or hand delivered.

9.3. Notice shall be given when received on a Business Day by the addressee. In the absence of proof of the actual receipt date, the following presumptions will apply. Notices sent by facsimile shall be deemed to have been received upon the sending party's receipt of its facsimile machine's confirmation of successful transmission, if the day on which such facsimile is received is not a Business Day or is after five p.m. on a Business Day, then such facsimile shall be deemed to have been received on the next following Business Day. Notice by overnight mail or courier shall be deemed to have been received on the next Business Day after it was sent or such earlier time as is confirmed by the receiving party. Notice via first class mail shall be considered delivered two Business Days after mailing.

SECTION 10. FINANCIAL RESPONSIBILITY

10.1. When reasonable grounds for insecurity of payment or title to the Gas arise, either party may demand adequate assurance of performance. Adequate assurance shall mean sufficient security in the form and for the term reasonably specified by the party demanding assurance, including, but not limited to, a standby irrevocable letter of credit, a prepayment, a security interest in an asset acceptable to the demanding party or a performance bond or guarantee by a creditworthy entity. In the event either party shall (i) make an assignment or any general arrangement for the benefit of creditors; (ii) default in the payment obligation to the other party; (iii) file a petition or otherwise commence, authorize, or acquiesce in the commencement of a proceeding or cause under any bankruptcy or similar law for the protection of creditors or have such petition filed or proceeding commenced against it; (iv) otherwise become bankrupt or insolvent (however evidenced); or (v) be unable to pay its debts as they fall due; then the other party shall have the right to either withhold and/or suspend deliveries or payment, or terminate the Contract without prior notice, in addition to any and all other remedies available hereunder. Seller may immediately suspend deliveries to Buyer hereunder in the event Buyer has not paid any amount due Seller hereunder on or before the second day following the date such payment is due.

10.2. Each party reserves to itself all rights, set-offs, counterclaims, and other defenses which it is or may be entitled to arising from the Contract.

SECTION 11. FORCE MAJEURE

11.1. Except with regard to a party's obligation to make payment due under Section 7. and Imbalance Charges under Section 4, neither party shall be liable to the other for failure to perform a Firm obligation, to the extent such failure was caused by Force Majeure. The term "Force Majeure" as employed herein means any cause not reasonably within the control of the party claiming suspension, as further defined in Section 11.2.

11.2. Force Majeure shall include but not be limited to the following: (i) physical events such as acts of God, landslides, lightning, earthquakes, fires, storms or storm warnings, such as hurricanes, which result in evacuation of the affected area, floods, washouts, explosions, breakage or accident or necessity of repairs to machinery or equipment or lines of pipe; (ii) weather related events affecting an entire geographic region, such as low temperatures which cause freezing or failure of wells or lines of pipe; (iii) interruption of firm transportation and/or storage by Transporters; (iv) acts of others such as strikes, lockouts or other industrial disturbances, riots, sabotage, insurrections or wars; and (v) governmental actions such as necessity for compliance with any court order, law, statute, ordinance, or regulation promulgated by a governmental authority having jurisdiction. Seller and Buyer shall make reasonable efforts to avoid the adverse impacts of a Force Majeure and to resolve the event or occurrence once it has occurred in order to resume performance.

11.3. Neither party shall be entitled to the benefit of the provisions of Force Majeure to the extent performance is affected by any or all of the following circumstances: (i) the curtailment of interruptible or secondary firm transportation unless primary, in-path, firm transportation is also curtailed; (ii) the party claiming excuse failed to remedy the condition and to resume the performance of such covenants or obligations with reasonable dispatch; or (iii) economic hardship. The party claiming Force Majeure shall not be excused from its responsibility for Imbalance Charges.

11.4. Notwithstanding anything to the contrary herein, the parties agree that the settlement of strikes, lockouts or other industrial disturbances shall be entirely within the sole discretion of the party experiencing such disturbance.

11.5. The party whose performance is prevented by Force Majeure must provide notice to the other party. Initial notice may be given orally; however, written notification with reasonably full particulars of the event or occurrence is required as soon as reasonably possible. Upon providing written notification of Force Majeure to the other party, the affected party will be relieved of its obligation to make or accept delivery of Gas as applicable to the extent and for the duration of Force Majeure, and neither party shall be deemed to have failed in such obligations to the other during such occurrence or event.

SECTION 12. TERM

This Contract may be terminated on 30 days' written notice, but shall remain in effect until the expiration of the latest Delivery Period of any Transaction Confirmation(s). The rights of either party pursuant to Section 7.4., the obligations to make payment hereunder, and the obligation of either party to indemnify the other, pursuant hereto shall survive the termination of the Base Contract or any Transaction Confirmation.

SECTION 13. MISCELLANEOUS

13.1. This Contract shall be binding upon and inure to the benefit of the successors, assigns, personal representatives, and heirs of the respective parties hereto, and the covenants, conditions, rights and obligations of this Contract shall run for the full term of this Contract. No assignment of this Contract, in whole or in part, will be made without the prior written consent of the non-assigning party, which consent will not be unreasonably withheld or delayed; provided, either party may transfer its interest to any parent or affiliate by assignment, merger or otherwise without the prior approval of the other party. Upon any transfer and assumption, the transferor shall not be relieved of or discharged from any obligations hereunder.

13.2. If any provision in this Contract is determined to be invalid, void or unenforceable by any court having jurisdiction, such determination shall not invalidate, void, or make unenforceable any other provision, agreement or covenant of this Contract.

13.3. No waiver of any breach of this Contract shall be held to be a waiver of any other or subsequent breach.

13.4. This Contract sets forth all understandings between the parties respecting each transaction subject hereto, and any prior contracts, understandings and representations, whether oral or written, relating to such transactions are merged into and superseded by this Contract and any effective Transaction Confirmation(s). This Contract may be amended only by a writing executed by both parties.

13.5. The interpretation and performance of this Contract shall be governed by the laws of the state specified by the parties in the Base Contract, excluding, however, any conflict of laws rule which would apply the law of another jurisdiction.

13.6. This Contract and all provisions herein will be subject to all applicable and valid statutes, rules, orders and regulations of any Federal, State, or local governmental authority having jurisdiction over the parties, their facilities, or Gas supply, this Contract or Transaction Confirmation or any provisions thereof.

13.7. There is no third party beneficiary to this Contract.

13.8. Each party to this Contract represents and warrants that it has full and complete authority to enter into and perform this Contract. Each person who executes this Contract on behalf of either party represents and warrants that it has full and complete authority to do so and that such party will be bound thereby.

TRANSACTION CONFIRMATION
FOR IMMEDIATE DELIVERY

EXHIBIT A

Letterhead/Logo

Date: ______________________, 199__
Transaction Confirmation #: ____________

This Transaction Confirmation is subject to the Base Contract between Seller and Buyer dated ________________. The terms of this Transaction Confirmation are binding unless disputed in writing within 2 Business Days of receipt unless otherwise specified in the Base Contract.

SELLER:	BUYER:
______________________	______________________
______________________	______________________
______________________	______________________
Attn: ______________	Attn: ______________
Phone: ______________	Phone: ______________
Fax: ______________	Fax: ______________
Base Contract No. ______________	Base Contract No. ______________
Transporter: ______________	Transporter: ______________
Transporter Contract Number: ______________	Transporter Contract Number: ______________

Contract Price: $______/MMBtu or ______________________

Delivery Period: Begin: __________, 199_ End: __________, 199_

Performance Obligation and Contract Quantity: (Select One)

Firm (Fixed Quantity):
_______ MMBtus/day
☐ EFP

Firm (Variable Quantity):
_______ MMBtus/day Minimum
_______ MMBtus/day Maximum
subject to Section 4.2. at election of
☐ Buyer or ☐ Seller

Interruptible:
Up to _______ MMBtus/day

Delivery Point(s): ______________________
(If a pooling point is used, list a specific geographic and pipeline location):

Special Conditions:

Seller: ______________________	Buyer: ______________________
By: ______________________	By: ______________________
Title: ______________________	Title: ______________________
Date: ______________________	Date: ______________________

(Multicurrency — Cross Border)

ISDA®

International Swap Dealers Association, Inc.

MASTER AGREEMENT

dated as of December 17, 2003

KEYSPAN-RAVENSWOOD, LLC through its agent KEYSPAN ENERGY SUPPLY, INC.	and	ENTERGY-KOCH TRADING, LP

have entered and/or anticipate entering into one or more transactions (each a "Transaction") that are or will be governed by this Master Agreement, which includes the schedule (the "Schedule"), and the documents and other confirming evidence (each a "Confirmation") exchanged between the parties confirming those Transactions.

Accordingly, the parties agree as follows: —

1. Interpretation

(a) *Definitions.* The terms defined in Section 14 and in the Schedule will have the meanings therein specified for the purpose of this Master Agreement.

(b) *Inconsistency.* In the event of any inconsistency between the provisions of the Schedule and the other provisions of this Master Agreement, the Schedule will prevail. In the event of any inconsistency between the provisions of any Confirmation and this Master Agreement (including the Schedule), such Confirmation will prevail for the purpose of the relevant Transaction.

(c) *Single Agreement.* All Transactions are entered into in reliance on the fact that this Master Agreement and all Confirmations form a single agreement between the parties (collectively referred to as this "Agreement"), and the parties would not otherwise enter into any Transactions.

2. Obligations

(a) *General Conditions.*

(i) Each party will make each payment or delivery specified in each Confirmation to be made by it, subject to the other provisions of this Agreement.

(ii) Payments under this Agreement will be made on the due date for value on that date in the place of the account specified in the relevant Confirmation or otherwise pursuant to this Agreement, in freely transferable funds and in the manner customary for payments in the required currency. Where settlement is by delivery (that is, other than by payment), such delivery will be made for receipt on the due date in the manner customary for the relevant obligation unless otherwise specified in the relevant Confirmation or elsewhere in this Agreement.

(iii) Each obligation of each party under Section 2(a)(i) is subject to (1) the condition precedent that no Event of Default or Potential Event of Default with respect to the other party has occurred and is continuing, (2) the condition precedent that no Early Termination Date in respect of the relevant Transaction has occurred or been effectively designated and (3) each other applicable condition precedent specified in this Agreement.

(b) *Change of Account*. Either party may change its account for receiving a payment or delivery by giving notice to the other party at least five Local Business Days prior to the scheduled date for the payment or delivery to which such change applies unless such other party gives timely notice of a reasonable objection to such change.

(c) *Netting*. If on any date amounts would otherwise be payable:—

(i) in the same currency; and

(ii) in respect of the same Transaction,

by each party to the other, then, on such date, each party's obligation to make payment of any such amount will be automatically satisfied and discharged and, if the aggregate amount that would otherwise have been payable by one party exceeds the aggregate amount that would otherwise have been payable by the other party, replaced by an obligation upon the party by whom the larger aggregate amount would have been payable to pay to the other party the excess of the larger aggregate amount over the smaller aggregate amount.

The parties may elect in respect of two or more Transactions that a net amount will be determined in respect of all amounts payable on the same date in the same currency in respect of such Transactions, regardless of whether such amounts are payable in respect of the same Transaction. The election may be made in the Schedule or a Confirmation by specifying that subparagraph (ii) above will not apply to the Transactions identified as being subject to the election, together with the starting date (in which case subparagraph (ii) above will not, or will cease to, apply to such Transactions from such date). This election may be made separately for different groups of Transactions and will apply separately to each pairing of Offices through which the parties make and receive payments or deliveries.

(d) *Deduction or Withholding for Tax.*

(i) *Gross-Up*. All payments under this Agreement will be made without any deduction or withholding for or on account of any Tax unless such deduction or withholding is required by any applicable law, as modified by the practice of any relevant governmental revenue authority, then in effect. If a party is so required to deduct or withhold, then that party ("X") will:—

(1) promptly notify the other party ("Y") of such requirement;

(2) pay to the relevant authorities the full amount required to be deducted or withheld (including the full amount required to be deducted or withheld from any additional amount paid by X to Y under this Section 2(d)) promptly upon the earlier of determining that such deduction or withholding is required or receiving notice that such amount has been assessed against Y;

(3) promptly forward to Y an official receipt (or a certified copy), or other documentation reasonably acceptable to Y, evidencing such payment to such authorities; and

(4) if such Tax is an Indemnifiable Tax, pay to Y, in addition to the payment to which Y is otherwise entitled under this Agreement, such additional amount as is necessary to ensure that the net amount actually received by Y (free and clear of Indemnifiable Taxes, whether assessed against X or Y) will equal the full amount Y would have received had no such deduction or withholding been required. However, X will not be required to pay any additional amount to Y to the extent that it would not be required to be paid but for:—

(A) the failure by Y to comply with or perform any agreement contained in Section 4(a)(i), 4(a)(iii) or 4(d); or

(B) the failure of a representation made by Y pursuant to Section 3(f) to be accurate and true unless such failure would not have occurred but for (I) any action taken by a taxing authority, or brought in a court of competent jurisdiction, on or after the date on which a Transaction is entered into (regardless of whether such action is taken or brought with respect to a party to this Agreement) or (II) a Change in Tax Law.

(ii) *Liability*. If: —

(1) X is required by any applicable law, as modified by the practice of any relevant governmental revenue authority, to make any deduction or withholding in respect of which X would not be required to pay an additional amount to Y under Section 2(d)(i)(4);

(2) X does not so deduct or withhold; and

(3) a liability resulting from such Tax is assessed directly against X,

then, except to the extent Y has satisfied or then satisfies the liability resulting from such Tax, Y will promptly pay to X the amount of such liability (including any related liability for interest, but including any related liability for penalties only if Y has failed to comply with or perform any agreement contained in Section 4(a)(i), 4(a)(iii) or 4(d)).

(e) ***Default Interest; Other Amounts***. Prior to the occurrence or effective designation of an Early Termination Date in respect of the relevant Transaction, a party that defaults in the performance of any payment obligation will, to the extent permitted by law and subject to Section 6(c), be required to pay interest (before as well as after judgment) on the overdue amount to the other party on demand in the same currency as such overdue amount, for the period from (and including) the original due date for payment to (but excluding) the date of actual payment, at the Default Rate. Such interest will be calculated on the basis of daily compounding and the actual number of days elapsed. If, prior to the occurrence or effective designation of an Early Termination Date in respect of the relevant Transaction, a party defaults in the performance of any obligation required to be settled by delivery, it will compensate the other party on demand if and to the extent provided for in the relevant Confirmation or elsewhere in this Agreement.

3. Representations

Each party represents to the other party (which representations will be deemed to be repeated by each party on each date on which a Transaction is entered into and, in the case of the representations in Section 3(f), at all times until the termination of this Agreement) that:—

(a) ***Basic Representations***.

(i) *Status*. It is duly organised and validly existing under the laws of the jurisdiction of its organisation or incorporation and, if relevant under such laws, in good standing;

(ii) *Powers*. It has the power to execute this Agreement and any other documentation relating to this Agreement to which it is a party, to deliver this Agreement and any other documentation relating to this Agreement that it is required by this Agreement to deliver and to perform its obligations under this Agreement and any obligations it has under any Credit Support Document to which it is a party and has taken all necessary action to authorise such execution, delivery and performance;

(iii) *No Violation or Conflict*. Such execution, delivery and performance do not violate or conflict with any law applicable to it, any provision of its constitutional documents, any order or judgment of any court or other agency of government applicable to it or any of its assets or any contractual restriction binding on or affecting it or any of its assets;

(iv) *Consents*. All governmental and other consents that are required to have been obtained by it with respect to this Agreement or any Credit Support Document to which it is a party have been obtained and are in full force and effect and all conditions of any such consents have been complied with; and

(v) *Obligations Binding*. Its obligations under this Agreement and any Credit Support Document to which it is a party constitute its legal, valid and binding obligations, enforceable in accordance with their respective terms (subject to applicable bankruptcy, reorganisation, insolvency, moratorium or similar laws affecting creditors' rights generally and subject, as to enforceability, to equitable principles of general application (regardless of whether enforcement is sought in a proceeding in equity or at law)).

(b) *Absence of Certain Events.* No Event of Default or Potential Event of Default or, to its knowledge, Termination Event with respect to it has occurred and is continuing and no such event or circumstance would occur as a result of its entering into or performing its obligations under this Agreement or any Credit Support Document to which it is a party.

(c) *Absence of Litigation.* There is not pending or, to its knowledge, threatened against it or any of its Affiliates any action, suit or proceeding at law or in equity or before any court, tribunal, governmental body, agency or official or any arbitrator that is likely to affect the legality, validity or enforceability against it of this Agreement or any Credit Support Document to which it is a party or its ability to perform its obligations under this Agreement or such Credit Support Document.

(d) *Accuracy of Specified Information.* All applicable information that is furnished in writing by or on behalf of it to the other party and is identified for the purpose of this Section 3(d) in the Schedule is, as of the date of the information, true, accurate and complete in every material respect.

(e) *Payer Tax Representation.* Each representation specified in the Schedule as being made by it for the purpose of this Section 3(e) is accurate and true.

(f) *Payee Tax Representations.* Each representation specified in the Schedule as being made by it for the purpose of this Section 3(f) is accurate and true.

4. Agreements

Each party agrees with the other that, so long as either party has or may have any obligation under this Agreement or under any Credit Support Document to which it is a party:—

(a) *Furnish Specified Information.* It will deliver to the other party or, in certain cases under subparagraph (iii) below, to such government or taxing authority as the other party reasonably directs:—

(i) any forms, documents or certificates relating to taxation specified in the Schedule or any Confirmation;

(ii) any other documents specified in the Schedule or any Confirmation; and

(iii) upon reasonable demand by such other party, any form or document that may be required or reasonably requested in writing in order to allow such other party or its Credit Support Provider to make a payment under this Agreement or any applicable Credit Support Document without any deduction or withholding for or on account of any Tax or with such deduction or withholding at a reduced rate (so long as the completion, execution or submission of such form or document would not materially prejudice the legal or commercial position of the party in receipt of such demand), with any such form or document to be accurate and completed in a manner reasonably satisfactory to such other party and to be executed and to be delivered with any reasonably required certification,

in each case by the date specified in the Schedule or such Confirmation or, if none is specified, as soon as reasonably practicable.

(b) *Maintain Authorisations.* It will use all reasonable efforts to maintain in full force and effect all consents of any governmental or other authority that are required to be obtained by it with respect to this Agreement or any Credit Support Document to which it is a party and will use all reasonable efforts to obtain any that may become necessary in the future.

(c) *Comply with Laws.* It will comply in all material respects with all applicable laws and orders to which it may be subject if failure so to comply would materially impair its ability to perform its obligations under this Agreement or any Credit Support Document to which it is a party.

(d) *Tax Agreement.* It will give notice of any failure of a representation made by it under Section 3(f) to be accurate and true promptly upon learning of such failure.

(e) *Payment of Stamp Tax.* Subject to Section 11, it will pay any Stamp Tax levied or imposed upon it or in respect of its execution or performance of this Agreement by a jurisdiction in which it is incorporated, organised, managed and controlled, or considered to have its seat, or in which a branch or office through which it is acting for the purpose of this Agreement is located ("Stamp Tax Jurisdiction") and will indemnify the other party against any Stamp Tax levied or imposed upon the other party or in respect of the other party's execution or performance of this Agreement by any such Stamp Tax Jurisdiction which is not also a Stamp Tax Jurisdiction with respect to the other party.

5. Events of Default and Termination Events

(a) *Events of Default.* The occurrence at any time with respect to a party or, if applicable, any Credit Support Provider of such party or any Specified Entity of such party of any of the following events constitutes an event of default (an "Event of Default") with respect to such party:—

(i) ***Failure to Pay or Deliver.*** Failure by the party to make, when due, any payment under this Agreement or delivery under Section 2(a)(i) or 2(e) required to be made by it if such failure is not remedied on or before the third Local Business Day after notice of such failure is given to the party;

(ii) ***Breach of Agreement.*** Failure by the party to comply with or perform any agreement or obligation (other than an obligation to make any payment under this Agreement or delivery under Section 2(a)(i) or 2(e) or to give notice of a Termination Event or any agreement or obligation under Section 4(a)(i), 4(a)(iii) or 4(d)) to be complied with or performed by the party in accordance with this Agreement if such failure is not remedied on or before the thirtieth day after notice of such failure is given to the party;

(iii) ***Credit Support Default.***

(1) Failure by the party or any Credit Support Provider of such party to comply with or perform any agreement or obligation to be complied with or performed by it in accordance with any Credit Support Document if such failure is continuing after any applicable grace period has elapsed;

(2) the expiration or termination of such Credit Support Document or the failing or ceasing of such Credit Support Document to be in full force and effect for the purpose of this Agreement (in either case other than in accordance with its terms) prior to the satisfaction of all obligations of such party under each Transaction to which such Credit Support Document relates without the written consent of the other party; or

(3) the party or such Credit Support Provider disaffirms, disclaims, repudiates or rejects, in whole or in part, or challenges the validity of, such Credit Support Document;

(iv) ***Misrepresentation.*** A representation (other than a representation under Section 3(e) or (f)) made or repeated or deemed to have been made or repeated by the party or any Credit Support Provider of such party in this Agreement or any Credit Support Document proves to have been incorrect or misleading in any material respect when made or repeated or deemed to have been made or repeated;

(v) ***Default under Specified Transaction.*** The party, any Credit Support Provider of such party or any applicable Specified Entity of such party (1) defaults under a Specified Transaction and, after giving effect to any applicable notice requirement or grace period, there occurs a liquidation of, an acceleration of obligations under, or an early termination of, that Specified Transaction, (2) defaults, after giving effect to any applicable notice requirement or grace period, in making any payment or delivery due on the last payment, delivery or exchange date of, or any payment on early termination of, a Specified Transaction (or such default continues for at least three Local Business Days if there is no applicable notice requirement or grace period) or (3) disaffirms, disclaims, repudiates or rejects, in whole or in part, a Specified Transaction (or such action is taken by any person or entity appointed or empowered to operate it or act on its behalf);

(vi) ***Cross Default.*** If "Cross Default" is specified in the Schedule as applying to the party, the occurrence or existence of (1) a default, event of default or other similar condition or event (however described) in respect of such party, any Credit Support Provider of such party or any applicable Specified Entity of such party under one or more agreements or instruments relating to Specified Indebtedness of any of them (individually or collectively) in an aggregate amount of not less than the applicable Threshold Amount (as specified in the Schedule) which has resulted in such Specified Indebtedness becoming, or becoming capable at such time of being declared, due and payable under such agreements or instruments, before it would otherwise have been due and payable or (2) a default by such party, such Credit Support Provider or such Specified Entity (individually or collectively) in making one or more payments on the due date thereof in an aggregate amount of not less than the applicable Threshold Amount under such agreements or instruments (after giving effect to any applicable notice requirement or grace period);

(vii) ***Bankruptcy***. The party, any Credit Support Provider of such party or any applicable Specified Entity of such party: —

(1) is dissolved (other than pursuant to a consolidation, amalgamation or merger); (2) becomes insolvent or is unable to pay its debts or fails or admits in writing its inability generally to pay its debts as they become due; (3) makes a general assignment, arrangement or composition with or for the benefit of its creditors; (4) institutes or has instituted against it a proceeding seeking a judgment of insolvency or bankruptcy or any other relief under any bankruptcy or insolvency law or other similar law affecting creditors' rights, or a petition is presented for its winding-up or liquidation, and, in the case of any such proceeding or petition instituted or presented against it, such proceeding or petition (A) results in a judgment of insolvency or bankruptcy or the entry of an order for relief or the making of an order for its winding-up or liquidation or (B) is not dismissed, discharged, stayed or restrained in each case within 30 days of the institution or presentation thereof; (5) has a resolution passed for its winding-up, official management or liquidation (other than pursuant to a consolidation, amalgamation or merger); (6) seeks or becomes subject to the appointment of an administrator, provisional liquidator, conservator, receiver, trustee, custodian or other similar official for it or for all or substantially all its assets; (7) has a secured party take possession of all or substantially all its assets or has a distress, execution, attachment, sequestration or other legal process levied, enforced or sued on or against all or substantially all its assets and such secured party maintains possession, or any such process is not dismissed, discharged, stayed or restrained, in each case within 30 days thereafter; (8) causes or is subject to any event with respect to it which, under the applicable laws of any jurisdiction, has an analogous effect to any of the events specified in clauses (1) to (7) (inclusive); or (9) takes any action in furtherance of, or indicating its consent to, approval of, or acquiescence in, any of the foregoing acts; or

(viii) ***Merger Without Assumption***. The party or any Credit Support Provider of such party consolidates or amalgamates with, or merges with or into, or transfers all or substantially all its assets to, another entity and, at the time of such consolidation, amalgamation, merger or transfer: —

(1) the resulting, surviving or transferee entity fails to assume all the obligations of such party or such Credit Support Provider under this Agreement or any Credit Support Document to which it or its predecessor was a party by operation of law or pursuant to an agreement reasonably satisfactory to the other party to this Agreement; or

(2) the benefits of any Credit Support Document fail to extend (without the consent of the other party) to the performance by such resulting, surviving or transferee entity of its obligations under this Agreement.

(b) *Termination Events*. The occurrence at any time with respect to a party or, if applicable, any Credit Support Provider of such party or any Specified Entity of such party of any event specified below constitutes an Illegality if the event is specified in (i) below, a Tax Event if the event is specified in (ii) below or a Tax Event Upon Merger if the event is specified in (iii) below, and, if specified to be applicable, a Credit Event

Upon Merger if the event is specified pursuant to (iv) below or an Additional Termination Event if the event is specified pursuant to (v) below:—

(i) *Illegality*. Due to the adoption of, or any change in, any applicable law after the date on which a Transaction is entered into, or due to the promulgation of, or any change in, the interpretation by any court, tribunal or regulatory authority with competent jurisdiction of any applicable law after such date, it becomes unlawful (other than as a result of a breach by the party of Section 4(b)) for such party (which will be the Affected Party):—

(1) to perform any absolute or contingent obligation to make a payment or delivery or to receive a payment or delivery in respect of such Transaction or to comply with any other material provision of this Agreement relating to such Transaction; or

(2) to perform, or for any Credit Support Provider of such party to perform, any contingent or other obligation which the party (or such Credit Support Provider) has under any Credit Support Document relating to such Transaction;

(ii) *Tax Event*. Due to (x) any action taken by a taxing authority, or brought in a court of competent jurisdiction, on or after the date on which a Transaction is entered into (regardless of whether such action is taken or brought with respect to a party to this Agreement) or (y) a Change in Tax Law, the party (which will be the Affected Party) will, or there is a substantial likelihood that it will, on the next succeeding Scheduled Payment Date (1) be required to pay to the other party an additional amount in respect of an Indemnifiable Tax under Section 2(d)(i)(4) (except in respect of interest under Section 2(e), 6(d)(ii) or 6(e)) or (2) receive a payment from which an amount is required to be deducted or withheld for or on account of a Tax (except in respect of interest under Section 2(e), 6(d)(ii) or 6(e)) and no additional amount is required to be paid in respect of such Tax under Section 2(d)(i)(4) (other than by reason of Section 2(d)(i)(4)(A) or (B));

(iii) *Tax Event Upon Merger*. The party (the "Burdened Party") on the next succeeding Scheduled Payment Date will either (1) be required to pay an additional amount in respect of an Indemnifiable Tax under Section 2(d)(i)(4) (except in respect of interest under Section 2(e), 6(d)(ii) or 6(e)) or (2) receive a payment from which an amount has been deducted or withheld for or on account of any Indemnifiable Tax in respect of which the other party is not required to pay an additional amount (other than by reason of Section 2(d)(i)(4)(A) or (B)), in either case as a result of a party consolidating or amalgamating with, or merging with or into, or transferring all or substantially all its assets to, another entity (which will be the Affected Party) where such action does not constitute an event described in Section 5(a)(viii);

(iv) *Credit Event Upon Merger*. If "Credit Event Upon Merger" is specified in the Schedule as applying to the party, such party ("X"), any Credit Support Provider of X or any applicable Specified Entity of X consolidates or amalgamates with, or merges with or into, or transfers all or substantially all its assets to, another entity and such action does not constitute an event described in Section 5(a)(viii) but the creditworthiness of the resulting, surviving or transferee entity is materially weaker than that of X, such Credit Support Provider or such Specified Entity, as the case may be, immediately prior to such action (and, in such event, X or its successor or transferee, as appropriate, will be the Affected Party); or

(v) *Additional Termination Event*. If any "Additional Termination Event" is specified in the Schedule or any Confirmation as applying, the occurrence of such event (and, in such event, the Affected Party or Affected Parties shall be as specified for such Additional Termination Event in the Schedule or such Confirmation).

(c) *Event of Default and Illegality*. If an event or circumstance which would otherwise constitute or give rise to an Event of Default also constitutes an Illegality, it will be treated as an Illegality and will not constitute an Event of Default.

6. Early Termination

(a) *Right to Terminate Following Event of Default.* If at any time an Event of Default with respect to a party (the "Defaulting Party") has occurred and is then continuing, the other party (the "Non-defaulting Party") may, by not more than 20 days notice to the Defaulting Party specifying the relevant Event of Default, designate a day not earlier than the day such notice is effective as an Early Termination Date in respect of all outstanding Transactions. If, however, "Automatic Early Termination" is specified in the Schedule as applying to a party, then an Early Termination Date in respect of all outstanding Transactions will occur immediately upon the occurrence with respect to such party of an Event of Default specified in Section 5(a)(vii)(1), (3), (5), (6) or, to the extent analogous thereto, (8), and as of the time immediately preceding the institution of the relevant proceeding or the presentation of the relevant petition upon the occurrence with respect to such party of an Event of Default specified in Section 5(a)(vii)(4) or, to the extent analogous thereto, (8).

(b) *Right to Terminate Following Termination Event.*

(i) *Notice.* If a Termination Event occurs, an Affected Party will, promptly upon becoming aware of it, notify the other party, specifying the nature of that Termination Event and each Affected Transaction and will also give such other information about that Termination Event as the other party may reasonably require.

(ii) *Transfer to Avoid Termination Event.* If either an Illegality under Section 5(b)(i)(1) or a Tax Event occurs and there is only one Affected Party, or if a Tax Event Upon Merger occurs and the Burdened Party is the Affected Party, the Affected Party will, as a condition to its right to designate an Early Termination Date under Section 6(b)(iv), use all reasonable efforts (which will not require such party to incur a loss, excluding immaterial, incidental expenses) to transfer within 20 days after it gives notice under Section 6(b)(i) all its rights and obligations under this Agreement in respect of the Affected Transactions to another of its Offices or Affiliates so that such Termination Event ceases to exist.

If the Affected Party is not able to make such a transfer it will give notice to the other party to that effect within such 20 day period, whereupon the other party may effect such a transfer within 30 days after the notice is given under Section 6(b)(i).

Any such transfer by a party under this Section 6(b)(ii) will be subject to and conditional upon the prior written consent of the other party, which consent will not be withheld if such other party's policies in effect at such time would permit it to enter into transactions with the transferee on the terms proposed.

(iii) *Two Affected Parties.* If an Illegality under Section 5(b)(i)(1) or a Tax Event occurs and there are two Affected Parties, each party will use all reasonable efforts to reach agreement within 30 days after notice thereof is given under Section 6(b)(i) on action to avoid that Termination Event.

(iv) *Right to Terminate.* If: —

(1) a transfer under Section 6(b)(ii) or an agreement under Section 6(b)(iii), as the case may be, has not been effected with respect to all Affected Transactions within 30 days after an Affected Party gives notice under Section 6(b)(i); or

(2) an Illegality under Section 5(b)(i)(2), a Credit Event Upon Merger or an Additional Termination Event occurs, or a Tax Event Upon Merger occurs and the Burdened Party is not the Affected Party,

either party in the case of an Illegality, the Burdened Party in the case of a Tax Event Upon Merger, any Affected Party in the case of a Tax Event or an Additional Termination Event if there is more than one Affected Party, or the party which is not the Affected Party in the case of a Credit Event Upon Merger or an Additional Termination Event if there is only one Affected Party may, by not more than 20 days notice to the other party and provided that the relevant Termination Event is then continuing, designate a day not earlier than the day such notice is effective as an Early Termination Date in respect of all Affected Transactions.

(c) *Effect of Designation.*

(i) If notice designating an Early Termination Date is given under Section 6(a) or (b), the Early Termination Date will occur on the date so designated, whether or not the relevant Event of Default or Termination Event is then continuing.

(ii) Upon the occurrence or effective designation of an Early Termination Date, no further payments or deliveries under Section 2(a)(i) or 2(e) in respect of the Terminated Transactions will be required to be made, but without prejudice to the other provisions of this Agreement. The amount, if any, payable in respect of an Early Termination Date shall be determined pursuant to Section 6(e).

(d) *Calculations.*

(i) *Statement.* On or as soon as reasonably practicable following the occurrence of an Early Termination Date, each party will make the calculations on its part, if any, contemplated by Section 6(e) and will provide to the other party a statement (1) showing, in reasonable detail, such calculations (including all relevant quotations and specifying any amount payable under Section 6(e)) and (2) giving details of the relevant account to which any amount payable to it is to be paid. In the absence of written confirmation from the source of a quotation obtained in determining a Market Quotation, the records of the party obtaining such quotation will be conclusive evidence of the existence and accuracy of such quotation.

(ii) *Payment Date.* An amount calculated as being due in respect of any Early Termination Date under Section 6(e) will be payable on the day that notice of the amount payable is effective (in the case of an Early Termination Date which is designated or occurs as a result of an Event of Default) and on the day which is two Local Business Days after the day on which notice of the amount payable is effective (in the case of an Early Termination Date which is designated as a result of a Termination Event). Such amount will be paid together with (to the extent permitted under applicable law) interest thereon (before as well as after judgment) in the Termination Currency, from (and including) the relevant Early Termination Date to (but excluding) the date such amount is paid, at the Applicable Rate. Such interest will be calculated on the basis of daily compounding and the actual number of days elapsed.

(e) ***Payments on Early Termination.*** If an Early Termination Date occurs, the following provisions shall apply based on the parties' election in the Schedule of a payment measure, either "Market Quotation" or "Loss", and a payment method, either the "First Method" or the "Second Method". If the parties fail to designate a payment measure or payment method in the Schedule, it will be deemed that "Market Quotation" or the "Second Method", as the case may be, shall apply. The amount, if any, payable in respect of an Early Termination Date and determined pursuant to this Section will be subject to any Set-off.

(i) *Events of Default.* If the Early Termination Date results from an Event of Default: —

(1) *First Method and Market Quotation.* If the First Method and Market Quotation apply, the Defaulting Party will pay to the Non-defaulting Party the excess, if a positive number, of (A) the sum of the Settlement Amount (determined by the Non-defaulting Party) in respect of the Terminated Transactions and the Termination Currency Equivalent of the Unpaid Amounts owing to the Non-defaulting Party over (B) the Termination Currency Equivalent of the Unpaid Amounts owing to the Defaulting Party.

(2) *First Method and Loss.* If the First Method and Loss apply, the Defaulting Party will pay to the Non-defaulting Party, if a positive number, the Non-defaulting Party's Loss in respect of this Agreement.

(3) *Second Method and Market Quotation.* If the Second Method and Market Quotation apply, an amount will be payable equal to (A) the sum of the Settlement Amount (determined by the

Non-defaulting Party) in respect of the Terminated Transactions and the Termination Currency Equivalent of the Unpaid Amounts owing to the Non-defaulting Party less (B) the Termination Currency Equivalent of the Unpaid Amounts owing to the Defaulting Party. If that amount is a positive number, the Defaulting Party will pay it to the Non-defaulting Party; if it is a negative number, the Non-defaulting Party will pay the absolute value of that amount to the Defaulting Party.

(4) *Second Method and Loss*. If the Second Method and Loss apply, an amount will be payable equal to the Non-defaulting Party's Loss in respect of this Agreement. If that amount is a positive number, the Defaulting Party will pay it to the Non-defaulting Party; if it is a negative number, the Non-defaulting Party will pay the absolute value of that amount to the Defaulting Party.

(ii) ***Termination Events***. If the Early Termination Date results from a Termination Event: —

(1) *One Affected Party*. If there is one Affected Party, the amount payable will be determined in accordance with Section 6(e)(i)(3), if Market Quotation applies, or Section 6(e)(i)(4), if Loss applies, except that, in either case, references to the Defaulting Party and to the Non-defaulting Party will be deemed to be references to the Affected Party and the party which is not the Affected Party, respectively, and, if Loss applies and fewer than all the Transactions are being terminated, Loss shall be calculated in respect of all Terminated Transactions.

(2) *Two Affected Parties*. If there are two Affected Parties: —

(A) if Market Quotation applies, each party will determine a Settlement Amount in respect of the Terminated Transactions, and an amount will be payable equal to (I) the sum of (a) one-half of the difference between the Settlement Amount of the party with the higher Settlement Amount ("X") and the Settlement Amount of the party with the lower Settlement Amount ("Y") and (b) the Termination Currency Equivalent of the Unpaid Amounts owing to X less (II) the Termination Currency Equivalent of the Unpaid Amounts owing to Y; and

(B) if Loss applies, each party will determine its Loss in respect of this Agreement (or, if fewer than all the Transactions are being terminated, in respect of all Terminated Transactions) and an amount will be payable equal to one-half of the difference between the Loss of the party with the higher Loss ("X") and the Loss of the party with the lower Loss ("Y").

If the amount payable is a positive number, Y will pay it to X; if it is a negative number, X will pay the absolute value of that amount to Y.

(iii) ***Adjustment for Bankruptcy***. In circumstances where an Early Termination Date occurs because "Automatic Early Termination" applies in respect of a party, the amount determined under this Section 6(e) will be subject to such adjustments as are appropriate and permitted by law to reflect any payments or deliveries made by one party to the other under this Agreement (and retained by such other party) during the period from the relevant Early Termination Date to the date for payment determined under Section 6(d)(ii).

(iv) ***Pre-Estimate***. The parties agree that if Market Quotation applies an amount recoverable under this Section 6(e) is a reasonable pre-estimate of loss and not a penalty. Such amount is payable for the loss of bargain and the loss of protection against future risks and except as otherwise provided in this Agreement neither party will be entitled to recover any additional damages as a consequence of such losses.

7. Transfer

Subject to Section 6(b)(ii), neither this Agreement nor any interest or obligation in or under this Agreement may be transferred (whether by way of security or otherwise) by either party without the prior written consent of the other party, except that: —

(a) a party may make such a transfer of this Agreement pursuant to a consolidation or amalgamation with, or merger with or into, or transfer of all or substantially all its assets to, another entity (but without prejudice to any other right or remedy under this Agreement); and

(b) a party may make such a transfer of all or any part of its interest in any amount payable to it from a Defaulting Party under Section 6(e).

Any purported transfer that is not in compliance with this Section will be void.

8. Contractual Currency

(a) *Payment in the Contractual Currency*. Each payment under this Agreement will be made in the relevant currency specified in this Agreement for that payment (the "Contractual Currency"). To the extent permitted by applicable law, any obligation to make payments under this Agreement in the Contractual Currency will not be discharged or satisfied by any tender in any currency other than the Contractual Currency, except to the extent such tender results in the actual receipt by the party to which payment is owed, acting in a reasonable manner and in good faith in converting the currency so tendered into the Contractual Currency, of the full amount in the Contractual Currency of all amounts payable in respect of this Agreement. If for any reason the amount in the Contractual Currency so received falls short of the amount in the Contractual Currency payable in respect of this Agreement, the party required to make the payment will, to the extent permitted by applicable law, immediately pay such additional amount in the Contractual Currency as may be necessary to compensate for the shortfall. If for any reason the amount in the Contractual Currency so received exceeds the amount in the Contractual Currency payable in respect of this Agreement, the party receiving the payment will refund promptly the amount of such excess.

(b) *Judgments*. To the extent permitted by applicable law, if any judgment or order expressed in a currency other than the Contractual Currency is rendered (i) for the payment of any amount owing in respect of this Agreement, (ii) for the payment of any amount relating to any early termination in respect of this Agreement or (iii) in respect of a judgment or order of another court for the payment of any amount described in (i) or (ii) above, the party seeking recovery, after recovery in full of the aggregate amount to which such party is entitled pursuant to the judgment or order, will be entitled to receive immediately from the other party the amount of any shortfall of the Contractual Currency received by such party as a consequence of sums paid in such other currency and will refund promptly to the other party any excess of the Contractual Currency received by such party as a consequence of sums paid in such other currency if such shortfall or such excess arises or results from any variation between the rate of exchange at which the Contractual Currency is converted into the currency of the judgment or order for the purposes of such judgment or order and the rate of exchange at which such party is able, acting in a reasonable manner and in good faith in converting the currency received into the Contractual Currency, to purchase the Contractual Currency with the amount of the currency of the judgment or order actually received by such party. The term "rate of exchange" includes, without limitation, any premiums and costs of exchange payable in connection with the purchase of or conversion into the Contractual Currency.

(c) *Separate Indemnities*. To the extent permitted by applicable law, these indemnities constitute separate and independent obligations from the other obligations in this Agreement, will be enforceable as separate and independent causes of action, will apply notwithstanding any indulgence granted by the party to which any payment is owed and will not be affected by judgment being obtained or claim or proof being made for any other sums payable in respect of this Agreement.

(d) *Evidence of Loss*. For the purpose of this Section 8, it will be sufficient for a party to demonstrate that it would have suffered a loss had an actual exchange or purchase been made.

9. Miscellaneous

(a) *Entire Agreement.* This Agreement constitutes the entire agreement and understanding of the parties with respect to its subject matter and supersedes all oral communication and prior writings with respect thereto.

(b) *Amendments.* No amendment, modification or waiver in respect of this Agreement will be effective unless in writing (including a writing evidenced by a facsimile transmission) and executed by each of the parties or confirmed by an exchange of telexes or electronic messages on an electronic messaging system.

(c) *Survival of Obligations.* Without prejudice to Sections 2(a)(iii) and 6(c)(ii), the obligations of the parties under this Agreement will survive the termination of any Transaction.

(d) *Remedies Cumulative.* Except as provided in this Agreement, the rights, powers, remedies and privileges provided in this Agreement are cumulative and not exclusive of any rights, powers, remedies and privileges provided by law.

(e) *Counterparts and Confirmations.*

(i) This Agreement (and each amendment, modification and waiver in respect of it) may be executed and delivered in counterparts (including by facsimile transmission), each of which will be deemed an original.

(ii) The parties intend that they are legally bound by the terms of each Transaction from the moment they agree to those terms (whether orally or otherwise). A Confirmation shall be entered into as soon as practicable and may be executed and delivered in counterparts (including by facsimile transmission) or be created by an exchange of telexes or by an exchange of electronic messages on an electronic messaging system, which in each case will be sufficient for all purposes to evidence a binding supplement to this Agreement. The parties will specify therein or through another effective means that any such counterpart, telex or electronic message constitutes a Confirmation.

(f) *No Waiver of Rights.* A failure or delay in exercising any right, power or privilege in respect of this Agreement will not be presumed to operate as a waiver, and a single or partial exercise of any right, power or privilege will not be presumed to preclude any subsequent or further exercise, of that right, power or privilege or the exercise of any other right, power or privilege.

(g) *Headings.* The headings used in this Agreement are for convenience of reference only and are not to affect the construction of or to be taken into consideration in interpreting this Agreement.

10. Offices; Multibranch Parties

(a) If Section 10(a) is specified in the Schedule as applying, each party that enters into a Transaction through an Office other than its head or home office represents to the other party that, notwithstanding the place of booking office or jurisdiction of incorporation or organisation of such party, the obligations of such party are the same as if it had entered into the Transaction through its head or home office. This representation will be deemed to be repeated by such party on each date on which a Transaction is entered into.

(b) Neither party may change the Office through which it makes and receives payments or deliveries for the purpose of a Transaction without the prior written consent of the other party.

(c) If a party is specified as a Multibranch Party in the Schedule, such Multibranch Party may make and receive payments or deliveries under any Transaction through any Office listed in the Schedule, and the Office through which it makes and receives payments or deliveries with respect to a Transaction will be specified in the relevant Confirmation.

11. Expenses

A Defaulting Party will, on demand, indemnify and hold harmless the other party for and against all reasonable out-of-pocket expenses, including legal fees and Stamp Tax, incurred by such other party by reason of the enforcement and protection of its rights under this Agreement or any Credit Support Document to which the Defaulting Party is a party or by reason of the early termination of any Transaction, including, but not limited to, costs of collection.

12. Notices

(a) *Effectiveness.* Any notice or other communication in respect of this Agreement may be given in any manner set forth below (except that a notice or other communication under Section 5 or 6 may not be given by facsimile transmission or electronic messaging system) to the address or number or in accordance with the electronic messaging system details provided (see the Schedule) and will be deemed effective as indicated:—

(i) if in writing and delivered in person or by courier, on the date it is delivered;

(ii) if sent by telex, on the date the recipient's answerback is received;

(iii) if sent by facsimile transmission, on the date that transmission is received by a responsible employee of the recipient in legible form (it being agreed that the burden of proving receipt will be on the sender and will not be met by a transmission report generated by the sender's facsimile machine);

(iv) if sent by certified or registered mail (airmail, if overseas) or the equivalent (return receipt requested), on the date that mail is delivered or its delivery is attempted; or

(v) if sent by electronic messaging system, on the date that electronic message is received,

unless the date of that delivery (or attempted delivery) or that receipt, as applicable, is not a Local Business Day or that communication is delivered (or attempted) or received, as applicable, after the close of business on a Local Business Day, in which case that communication shall be deemed given and effective on the first following day that is a Local Business Day.

(b) *Change of Addresses.* Either party may by notice to the other change the address, telex or facsimile number or electronic messaging system details at which notices or other communications are to be given to it.

13. Governing Law and Jurisdiction

(a) *Governing Law.* This Agreement will be governed by and construed in accordance with the law specified in the Schedule.

(b) *Jurisdiction.* With respect to any suit, action or proceedings relating to this Agreement ("Proceedings"), each party irrevocably:—

(i) submits to the jurisdiction of the English courts, if this Agreement is expressed to be governed by English law, or to the non-exclusive jurisdiction of the courts of the State of New York and the United States District Court located in the Borough of Manhattan in New York City, if this Agreement is expressed to be governed by the laws of the State of New York; and

(ii) waives any objection which it may have at any time to the laying of venue of any Proceedings brought in any such court, waives any claim that such Proceedings have been brought in an inconvenient forum and further waives the right to object, with respect to such Proceedings, that such court does not have any jurisdiction over such party.

Nothing in this Agreement precludes either party from bringing Proceedings in any other jurisdiction (outside, if this Agreement is expressed to be governed by English law, the Contracting States, as defined in Section 1(3) of the Civil Jurisdiction and Judgments Act 1982 or any modification, extension or re-enactment thereof for the time being in force) nor will the bringing of Proceedings in any one or more jurisdictions preclude the bringing of Proceedings in any other jurisdiction.

(c) *Service of Process.* Each party irrevocably appoints the Process Agent (if any) specified opposite its name in the Schedule to receive, for it and on its behalf, service of process in any Proceedings. If for any reason any party's Process Agent is unable to act as such, such party will promptly notify the other party and within 30 days appoint a substitute process agent acceptable to the other party. The parties irrevocably consent to service of process given in the manner provided for notices in Section 12. Nothing in this Agreement will affect the right of either party to serve process in any other manner permitted by law.

(d) *Waiver of Immunities.* Each party irrevocably waives, to the fullest extent permitted by applicable law, with respect to itself and its revenues and assets (irrespective of their use or intended use), all immunity on the grounds of sovereignty or other similar grounds from (i) suit, (ii) jurisdiction of any court, (iii) relief by way of injunction, order for specific performance or for recovery of property, (iv) attachment of its assets (whether before or after judgment) and (v) execution or enforcement of any judgment to which it or its revenues or assets might otherwise be entitled in any Proceedings in the courts of any jurisdiction and irrevocably agrees, to the extent permitted by applicable law, that it will not claim any such immunity in any Proceedings.

14. Definitions

As used in this Agreement:—

"Additional Termination Event" has the meaning specified in Section 5(b).

"Affected Party" has the meaning specified in Section 5(b).

"Affected Transactions" means (a) with respect to any Termination Event consisting of an Illegality, Tax Event or Tax Event Upon Merger, all Transactions affected by the occurrence of such Termination Event and (b) with respect to any other Termination Event, all Transactions.

"Affiliate" means, subject to the Schedule, in relation to any person, any entity controlled, directly or indirectly, by the person, any entity that controls, directly or indirectly, the person or any entity directly or indirectly under common control with the person. For this purpose, "control" of any entity or person means ownership of a majority of the voting power of the entity or person.

"Applicable Rate" means:—

(a) in respect of obligations payable or deliverable (or which would have been but for Section 2(a)(iii)) by a Defaulting Party, the Default Rate;

(b) in respect of an obligation to pay an amount under Section 6(e) of either party from and after the date (determined in accordance with Section 6(d)(ii)) on which that amount is payable, the Default Rate;

(c) in respect of all other obligations payable or deliverable (or which would have been but for Section 2(a)(iii)) by a Non-defaulting Party, the Non-default Rate; and

(d) in all other cases, the Termination Rate.

"Burdened Party" has the meaning specified in Section 5(b).

"Change in Tax Law" means the enactment, promulgation, execution or ratification of, or any change in or amendment to, any law (or in the application or official interpretation of any law) that occurs on or after the date on which the relevant Transaction is entered into.

"consent" includes a consent, approval, action, authorisation, exemption, notice, filing, registration or exchange control consent.

"Credit Event Upon Merger" has the meaning specified in Section 5(b).

"Credit Support Document" means any agreement or instrument that is specified as such in this Agreement.

"Credit Support Provider" has the meaning specified in the Schedule.

"Default Rate" means a rate per annum equal to the cost (without proof or evidence of any actual cost) to the relevant payee (as certified by it) if it were to fund or of funding the relevant amount plus 1% per annum.

"Defaulting Party" has the meaning specified in Section 6(a).

"Early Termination Date" means the date determined in accordance with Section 6(a) or 6(b)(iv).

"Event of Default" has the meaning specified in Section 5(a) and, if applicable, in the Schedule.

"Illegality" has the meaning specified in Section 5(b).

"Indemnifiable Tax" means any Tax other than a Tax that would not be imposed in respect of a payment under this Agreement but for a present or former connection between the jurisdiction of the government or taxation authority imposing such Tax and the recipient of such payment or a person related to such recipient (including, without limitation, a connection arising from such recipient or related person being or having been a citizen or resident of such jurisdiction, or being or having been organised, present or engaged in a trade or business in such jurisdiction, or having or having had a permanent establishment or fixed place of business in such jurisdiction, but excluding a connection arising solely from such recipient or related person having executed, delivered, performed its obligations or received a payment under, or enforced, this Agreement or a Credit Support Document).

"law" includes any treaty, law, rule or regulation (as modified, in the case of tax matters, by the practice of any relevant governmental revenue authority) and *"lawful"* and *"unlawful"* will be construed accordingly.

"Local Business Day" means, subject to the Schedule, a day on which commercial banks are open for business (including dealings in foreign exchange and foreign currency deposits) (a) in relation to any obligation under Section 2(a)(i), in the place(s) specified in the relevant Confirmation or, if not so specified, as otherwise agreed by the parties in writing or determined pursuant to provisions contained, or incorporated by reference, in this Agreement, (b) in relation to any other payment, in the place where the relevant account is located and, if different, in the principal financial centre, if any, of the currency of such payment, (c) in relation to any notice or other communication, including notice contemplated under Section 5(a)(i), in the city specified in the address for notice provided by the recipient and, in the case of a notice contemplated by Section 2(b), in the place where the relevant new account is to be located and (d) in relation to Section 5(a)(v)(2), in the relevant locations for performance with respect to such Specified Transaction.

"Loss" means, with respect to this Agreement or one or more Terminated Transactions, as the case may be, and a party, the Termination Currency Equivalent of an amount that party reasonably determines in good faith to be its total losses and costs (or gain, in which case expressed as a negative number) in connection with this Agreement or that Terminated Transaction or group of Terminated Transactions, as the case may be, including any loss of bargain, cost of funding or, at the election of such party but without duplication, loss or cost incurred as a result of its terminating, liquidating, obtaining or reestablishing any hedge or related trading position (or any gain resulting from any of them). Loss includes losses and costs (or gains) in respect of any payment or delivery required to have been made (assuming satisfaction of each applicable condition precedent) on or before the relevant Early Termination Date and not made, except, so as to avoid duplication, if Section 6(e)(i)(1) or (3) or 6(e)(ii)(2)(A) applies. Loss does not include a party's legal fees and out-of-pocket expenses referred to under Section 11. A party will determine its Loss as of the relevant Early Termination Date, or, if that is not reasonably practicable, as of the earliest date thereafter as is reasonably practicable. A party may (but need not) determine its Loss by reference to quotations of relevant rates or prices from one or more leading dealers in the relevant markets.

"Market Quotation" means, with respect to one or more Terminated Transactions and a party making the determination, an amount determined on the basis of quotations from Reference Market-makers. Each quotation will be for an amount, if any, that would be paid to such party (expressed as a negative number) or by such party (expressed as a positive number) in consideration of an agreement between such party (taking into account any existing Credit Support Document with respect to the obligations of such party) and the quoting Reference Market-maker to enter into a transaction (the "Replacement Transaction") that would have the effect of preserving for such party the economic equivalent of any payment or delivery (whether the underlying obligation was absolute or contingent and assuming the satisfaction of each applicable condition precedent) by the parties under Section 2(a)(i) in respect of such Terminated Transaction or group of Terminated Transactions that would, but for the occurrence of the relevant Early Termination Date, have

been required after that date. For this purpose, Unpaid Amounts in respect of the Terminated Transaction or group of Terminated Transactions are to be excluded but, without limitation, any payment or delivery that would, but for the relevant Early Termination Date, have been required (assuming satisfaction of each applicable condition precedent) after that Early Termination Date is to be included. The Replacement Transaction would be subject to such documentation as such party and the Reference Market-maker may, in good faith, agree. The party making the determination (or its agent) will request each Reference Market-maker to provide its quotation to the extent reasonably practicable as of the same day and time (without regard to different time zones) on or as soon as reasonably practicable after the relevant Early Termination Date. The day and time as of which those quotations are to be obtained will be selected in good faith by the party obliged to make a determination under Section 6(e), and, if each party is so obliged, after consultation with the other. If more than three quotations are provided, the Market Quotation will be the arithmetic mean of the quotations, without regard to the quotations having the highest and lowest values. If exactly three such quotations are provided, the Market Quotation will be the quotation remaining after disregarding the highest and lowest quotations. For this purpose, if more than one quotation has the same highest value or lowest value, then one of such quotations shall be disregarded. If fewer than three quotations are provided, it will be deemed that the Market Quotation in respect of such Terminated Transaction or group of Terminated Transactions cannot be determined.

"Non-default Rate" means a rate per annum equal to the cost (without proof or evidence of any actual cost) to the Non-defaulting Party (as certified by it) if it were to fund the relevant amount.

"Non-defaulting Party" has the meaning specified in Section 6(a).

"Office" means a branch or office of a party, which may be such party's head or home office.

"Potential Event of Default" means any event which, with the giving of notice or the lapse of time or both, would constitute an Event of Default.

"Reference Market-makers" means four leading dealers in the relevant market selected by the party determining a Market Quotation in good faith (a) from among dealers of the highest credit standing which satisfy all the criteria that such party applies generally at the time in deciding whether to offer or to make an extension of credit and (b) to the extent practicable, from among such dealers having an office in the same city.

"Relevant Jurisdiction" means, with respect to a party, the jurisdictions (a) in which the party is incorporated, organised, managed and controlled or considered to have its seat, (b) where an Office through which the party is acting for purposes of this Agreement is located, (c) in which the party executes this Agreement and (d) in relation to any payment, from or through which such payment is made.

"Scheduled Payment Date" means a date on which a payment or delivery is to be made under Section 2(a)(i) with respect to a Transaction.

"Set-off" means set-off, offset, combination of accounts, right of retention or withholding or similar right or requirement to which the payer of an amount under Section 6 is entitled or subject (whether arising under this Agreement, another contract, applicable law or otherwise) that is exercised by, or imposed on, such payer.

"Settlement Amount" means, with respect to a party and any Early Termination Date, the sum of: —

(a) the Termination Currency Equivalent of the Market Quotations (whether positive or negative) for each Terminated Transaction or group of Terminated Transactions for which a Market Quotation is determined; and

(b) such party's Loss (whether positive or negative and without reference to any Unpaid Amounts) for each Terminated Transaction or group of Terminated Transactions for which a Market Quotation cannot be determined or would not (in the reasonable belief of the party making the determination) produce a commercially reasonable result.

"Specified Entity" has the meanings specified in the Schedule.

"Specified Indebtedness" means, subject to the Schedule, any obligation (whether present or future, contingent or otherwise, as principal or surety or otherwise) in respect of borrowed money.

"Specified Transaction" means, subject to the Schedule, (a) any transaction (including an agreement with respect thereto) now existing or hereafter entered into between one party to this Agreement (or any Credit Support Provider of such party or any applicable Specified Entity of such party) and the other party to this Agreement (or any Credit Support Provider of such other party or any applicable Specified Entity of such other party) which is a rate swap transaction, basis swap, forward rate transaction, commodity swap, commodity option, equity or equity index swap, equity or equity index option, bond option, interest rate option, foreign exchange transaction, cap transaction, floor transaction, collar transaction, currency swap transaction, cross-currency rate swap transaction, currency option or any other similar transaction (including any option with respect to any of these transactions), (b) any combination of these transactions and (c) any other transaction identified as a Specified Transaction in this Agreement or the relevant confirmation.

"Stamp Tax" means any stamp, registration, documentation or similar tax.

"Tax" means any present or future tax, levy, impost, duty, charge, assessment or fee of any nature (including interest, penalties and additions thereto) that is imposed by any government or other taxing authority in respect of any payment under this Agreement other than a stamp, registration, documentation or similar tax.

"Tax Event" has the meaning specified in Section 5(b).

"Tax Event Upon Merger" has the meaning specified in Section 5(b).

"Terminated Transactions" means with respect to any Early Termination Date (a) if resulting from a Termination Event, all Affected Transactions and (b) if resulting from an Event of Default, all Transactions (in either case) in effect immediately before the effectiveness of the notice designating that Early Termination Date (or, if "Automatic Early Termination" applies, immediately before that Early Termination Date).

"Termination Currency" has the meaning specified in the Schedule.

"Termination Currency Equivalent" means, in respect of any amount denominated in the Termination Currency, such Termination Currency amount and, in respect of any amount denominated in a currency other than the Termination Currency (the "Other Currency"), the amount in the Termination Currency determined by the party making the relevant determination as being required to purchase such amount of such Other Currency as at the relevant Early Termination Date, or, if the relevant Market Quotation or Loss (as the case may be), is determined as of a later date, that later date, with the Termination Currency at the rate equal to the spot exchange rate of the foreign exchange agent (selected as provided below) for the purchase of such Other Currency with the Termination Currency at or about 11:00 a.m. (in the city in which such foreign exchange agent is located) on such date as would be customary for the determination of such a rate for the purchase of such Other Currency for value on the relevant Early Termination Date or that later date. The foreign exchange agent will, if only one party is obliged to make a determination under Section 6(e), be selected in good faith by that party and otherwise will be agreed by the parties.

"Termination Event" means an Illegality, a Tax Event or a Tax Event Upon Merger or, if specified to be applicable, a Credit Event Upon Merger or an Additional Termination Event.

"Termination Rate" means a rate per annum equal to the arithmetic mean of the cost (without proof or evidence of any actual cost) to each party (as certified by such party) if it were to fund or of funding such amounts.

"Unpaid Amounts" owing to any party means, with respect to an Early Termination Date, the aggregate of (a) in respect of all Terminated Transactions, the amounts that became payable (or that would have become payable but for Section 2(a)(iii)) to such party under Section 2(a)(i) on or prior to such Early Termination Date and which remain unpaid as at such Early Termination Date and (b) in respect of each Terminated Transaction, for each obligation under Section 2(a)(i) which was (or would have been but for Section 2(a)(iii)) required to be settled by delivery to such party on or prior to such Early Termination Date and which has not been so settled as at such Early Termination Date, an amount equal to the fair market

value of that which was (or would have been) required to be delivered as of the originally scheduled date for delivery, in each case together with (to the extent permitted under applicable law) interest, in the currency of such amounts, from (and including) the date such amounts or obligations were or would have been required to have been paid or performed to (but excluding) such Early Termination Date, at the Applicable Rate. Such amounts of interest will be calculated on the basis of daily compounding and the actual number of days elapsed. The fair market value of any obligation referred to in clause (b) above shall be reasonably determined by the party obliged to make the determination under Section 6(e) or, if each party is so obliged, it shall be the average of the Termination Currency Equivalents of the fair market values reasonably determined by both parties.

IN WITNESS WHEREOF the parties have executed this document on the respective dates specified below with effect from the date specified on the first page of this document.

KEYSPAN-RAVENSWOOD, LLC
through its agent,
KEYSPAN ENERGY SUPPLY, INC.

Name: Richard A. Rapp, Jr.

Title: Sr. Vice President

Date: 1/21/04

ENTERGY-KOCH TRADING, LP

Legal

Name: James Jeffery Searle

RD Credit

Title: President

Date: 1-9-04

SCHEDULE
TO THE
ISDA MASTER AGREEMENT
dated as of December 17, 2003
between
KEYSPAN-RAVENSWOOD, LLC
a limited liability company organized under the
laws of the State of New York
("Party A")
through its agent
KEYSPAN ENERGY SUPPLY, INC.
("Energy Manager")
and
ENTERGY-KOCH TRADING, LP
("Party B")

Part 1. Termination Provisions

(a) **"Specified Entity"** means in relation to Party A for the purpose of:

Section 5(a)(v), None Specified
Section 5(a)(vi), None Specified
Section 5(a)(vii), None Specified
Section 5(b)(iv), None Specified

and in relation to Party B for the purpose of:

Section 5(a)(v), Entergy-Koch, LP

Section 5(a)(vi), None Specified
Section 5(a)(vii), None Specified
Section 5(b)(iv), None Specified

(b) **"Specified Transaction"** will have the meaning specified in Section 14.

(c) **"Cross Default"** applies to Party A and Party B. Section 5(a)(vi) is hereby amended by deleting in the seventh line thereof the words, "or becoming capable at such time of being declared."

"Specified Indebtedness" has the meaning specified in Section 14 but in no event shall such term include amounts not paid due to illegality.

"Threshold Amount" means with respect to Party A, $25,000,000, and with respect to Party B, $25,000,000.

(a) The "Credit Event Upon Merger" provisions of Section (b)(iv) of this Agreement will apply to Party A and Party B; provided, however, that the phrase "materially weaker" means (i) the senior long-term debt (or current corporate credit rating) of the resulting, surviving or transferee entity is rated less than BBB- by Standard & Poor's Rating Group ("S&P") or Baa2 by Moody's Investor Services, Inc. ("Moody's"), or (ii) if no such ratings exist, the Policies (as defined below) in effect at the time, of the non-Affected Party, would lead such non-Affected Party, solely as a result of a change in the nature, character, identity or condition of the Affected Party from its state (as a party to the Agreement) prior to such consolidation, amalgamation, merger or transfer, to decline to make an extension of credit to, or enter into a Transaction with, the resulting, surviving or transferee entity. For purposes of this definition, "Policies" means a party's (1) internal credit limits applicable to individual entities, (2) other limits on doing business with entities domiciled in certain jurisdictions or engaging in certain activities, or (3) internal restrictions on doing business with entities with whom such party has had prior adverse business relations.

(b) The "Automatic Early Termination" provisions of Section 6(a) will not apply to Party A and will not apply to Party B; provided, however, with respect to a party, where an Event of Default specified in Section 5(a)(vii)(1), (3), (4), (5), (6) or to the extent analogous thereto, (8), is governed by a system of law which does not permit termination to take place after the occurrence of the relevant Event of Default, then the Automatic Early Termination provisions of Section 6(a) will apply to such party.

(d) **Payments on Early Termination.** For purposes of Section 6(e)

(i) "Loss" will apply, and

(ii) "Second Method" will apply.

(e) **"Termination Currency"** means United States Dollars.

(f) **Additional Termination Event(s)** will not apply. However, the parties agree that a Rating Event (as described below) shall be considered an additional Event of Default.

1) If the rating classification assigned to any outstanding long-term unsecured debt or if the issuer rating of Party A or the Credit Support Provider of Party A or of Party B or the Credit Support Provider of Party B is less than any of the following rating classifications, as determined by any of the following rating agencies:

Rating Agency	Rating Classification
Moody's Investor Service, Inc.	Baa3
Standard & Poor's Corp.	BBB-
Fitch IBCA	BBB-

then a "Rating Event" shall be deemed to have occurred with respect to Party A (if such occurrence is with respect to Party A or the Credit Support Provider of Party A) or Party B (if such occurrence is with respect to Party B or the Credit Support Provider of Party B).

2) Upon the occurrence of a Rating Event, the Non-defaulting Party shall have the right to declare an Early Termination Date pursuant to Section 6(a) of the Agreement.

Adequate Assurance. In the event that either Party A or Party B shall fail to give adequate security for, or assurances of, its ability to perform any of its obligations under this Agreement (the "Failing Party") within two (2) Business Days of receipt of a written request to do so when the other Party has reasonable grounds for insecurity, then the other Party may, at its election and without penalty, withhold or suspend its obligations under this Agreement, and in addition to the foregoing or alternatively, such other Party may declare such failure an Event of Default under Section 5(a) and exercise its rights under that Section in addition to any and all other remedies available hereunder or pursuant to law.

Part 2. Tax Representations

(a) **Party A and Party B Payer Tax Representations.** For the purpose of Section 3(e), each of Party A and Party B makes the following representation:

It is not required by any applicable law, as modified by the practice of any relevant governmental revenue authority, of any Relevant Jurisdiction to make any deduction or withholding for or on account of any Tax from any payment (other than interest under Section 2(e), 6(d)(ii) or 6(e)) to be made by it to the other party under this Agreement. In making this representation, it may rely on (i) the accuracy of any representations made by the other party pursuant to Section 3(f); (ii) the satisfaction of the agreement of the other party contained in Section 4(a)(i) or 4(a)(iii) and the accuracy and effectiveness of any document provided by the other party pursuant to Section 4(a)(i) or 4(a)(iii); and (iii) the satisfaction of the agreement of the other party contained in Section 4(d), provided that it shall not be a breach of this representation where reliance is placed on clause (ii) and the other party does not deliver a form or document under Section 4(a)(iii) by reason of material prejudice to its legal or commercial position.

(b) **Payee Tax Representations**

(i) For the purpose of Section 3(f), Party A makes the following representation:

It is a limited liability company duly organized under the laws of the State of New York, is not a foreign corporation for U.S. tax purposes, and has the following U.S. tax identification number: 11-3431358.

(ii) For the purpose of Section 3(f), Party B makes the following representation:

It is a U.S. corporation duly organized and incorporated under the laws of the State of Delaware is not a foreign corporation for tax purposes, and has the following U.S. tax identification number: 76-0667493.

Part 3. Agreement to Deliver Documents

For the purpose of Sections 4(a)(i) and (ii), each party agrees to deliver the following documents, as applicable:

(a) Tax forms, documents or certificates to be delivered are:

Party required to deliver document	**Form/Document/Certificate**	**Date by which to be delivered**
Party A and Party B	An executed United States Internal Revenue Service Form W-9 (or any successor thereto).	(i) Upon the execution of this Agreement; (ii) promptly upon reasonable demand by the other party; and (iii) promptly upon any Form W-9 (or any successor thereto) previously provided by the other party becoming obsolete or incorrect, including on each January 1 following the execution of this Agreement.

(b) Other documents to be delivered are:

Party required to deliver document	**Form/Document/Certificate**	**Date by which to be delivered**	**Covered by Section 3(d) Representation**
Party A and Party B	Evidence of capacity, authority and specimen signatures with respect to the party's and its Credit Support Provider's (if any) signatories executing this Agreement, each Transaction and any Credit Support Document.	Upon execution of this Agreement.	Yes

Party required to deliver document	Form/Document/Certificate	Date by which to be delivered	Covered by Section 3(d) Representation
Party A and Party B	Either (1) a signature booklet containing secretary's certificate and resolutions ("authorizing resolutions") authorizing the party to enter into derivatives transactions of the type contemplated by the parties or (2) a secretary's certificate, authorizing resolutions and incumbency certificate for such party and any Credit Support Provider of such party reasonably satisfactory in form and substance to the other party.	Upon execution of this Agreement.	Yes
Party A and Party B	The Credit Support Documents attached hereto.	Upon execution of this Agreement.	No
Party A and Party B	A copy of the annual report of such party (and its Credit Support Provider) containing audited consolidated financial statements for each such fiscal year, certified by independent certified public accountants and prepared in accordance with generally accepted accounting principles in the country in which such party is organized.	Promptly following demand by the other party, but in no event later than 120 days after the end of each fiscal year of such party (or its Credit Support Provider), if such financial statement is not available on "EDGAR" or such party's (or such party's Credit Support Provider's) internet home page.	Yes
Party B	A written opinion of legal counsel to Party B (and any Credit Support Provider for Party B), reasonably satisfactory in form and substance to Party A.	Upon execution of this Agreement and as deemed necessary for any further documentation.	No

Part 4. Miscellaneous

(a) **Addresses for Notices.** For the purpose of Section 12(a):

(i) Address for notices or communications to Party A:

Address: KeySpan Energy Supply, Inc. as agent for
KeySpan-Ravenswood, LLC
303 Merrick Road, Lynbrook, NY 11563
Attention: Contract Administrator

Facsimile No.: (516) 596-9622 Telephone No.: (516) 256-2611

A copy of any notice sent to Party A pursuant to Section 5 or 6 of the Agreement must also be sent to:

KeySpan Corporation
Legal Department
175 East Old Country Road
Hicksville, New York 11801
Attention: Andrea Elder-Howell, Senior Counsel
Facsimile No.: (516) 545-5029
Telephone No.: (516) 545-4662

(ii) Address for notices or communications to Party B:

Entergy-Koch Trading, LP
20 East Greenway Plaza
7th Floor
Houston, Texas 77253-3327
Attn: Legal
Fax: 713-544-5551
Phone: 713-544-4975

(b) **Notices.** Section 12(a) is amended by adding in the third line thereof after the phrase "messaging system" the following "; provided, however, any such notice or other communication may be given by facsimile transmission if telex is unavailable, no telex number is supplied to the party providing notice, or if answer back confirmation is not received from the party to whom the telex is sent."

(c) **Process Agent.** For the purpose of Section 13(c) of this Agreement:

Party A appoints as its Process Agent: None.

Party B appoints as its Process Agent: None.

(d) **Offices.** The provisions of Section 10(a) will apply to Party A and to Party B.

(e) **Multibranch Party.** For the purpose of Section 10(c):

Party A is not a Multibranch Party.

Party B is not a Multibranch Party.

(f) **Calculation Agent.** The Calculation Agent is Party A, unless an Event of Default Termination Date has been named when the Calculation Agent is the Defaulting Party, in which case, Party B is the Calculation Agent, or unless otherwise specified in a Confirmation in relation to the relevant Transaction. Provided, however, that if a calculation or determination is disputed by the party who is not the Calculation Agent, the parties shall first endeavor to resolve such dispute and, if they are unable to do so within a commercially reasonable time, they shall mutually select a dealer in the applicable commodity or in swaps involving the applicable commodity to act as Calculation Agent with respect to the issue in dispute. The failure of a party to perform its obligations as a Calculation Agent hereunder shall not be construed as an Event of Default or Termination Event.

(g) **Credit Support Documents.** "Credit Support Document" means: (i) the Guaranty dated the date hereof by KeySpan Corporation in favor of Party B as beneficiary thereof in the form attached hereto as Exhibit B; (ii) the Guaranty dated the date hereof by Entergy-Koch, LP in favor of Party A as beneficiary in the form of Exhibit C, and (iii) The Credit Support Annex dated the date hereof between Party A and Party B.

(h) **Credit Support Provider** means in relation to Party A: KeySpan Corporation.

Credit Support Provider means in relation to Party B: Entergy-Koch, LP.

(i) **Governing Law; Jurisdiction.** This Agreement, including each Credit Support Document and each Confirmation, will be governed by and construed in accordance with the laws of the State of New York, without reference to its choice of law doctrine. Section 13(b) of this Agreement is hereby amended by: (1) deleting "non" from the second line of clause (i); and (2) deleting the final paragraph.

(j) **Waiver of Jury Trial.** Each party waives, to the fullest extent permitted by applicable law, any right it may have to a trial by jury in respect of any Proceedings relating to this Agreement, including any Credit Support Document or Confirmation. Each party certifies that the other party has not represented that it would not enforce the foregoing waiver of jury trial if a dispute arises. Each party acknowledges that the other party has relied on the foregoing waiver of jury trial in entering into this agreement.

(k) **"Affiliate"** has the meaning specified in Section 14, but with respect to Party A the term affiliate shall not include the following subsidiaries of KeySpan Corporation: The Brooklyn Union Gas Co. d/b/a KeySpan Energy Delivery-New York, KeySpan Gas East Corp. d/b/a KeySpan Energy Delivery-Long Island, KeySpan Generation LLC and/or EnergyNorth Natural Gas, Inc., Boston Gas Company, Colonial Gas Company and Essex Gas Company, each d/b/a KeySpan Energy Delivery New England.

Part 5. Other Provisions

(a) **Conditions Precedent.** The condition precedent set forth in clause (1) of Section 2(a)(iii) shall not apply to payments owed by a party if the other party shall have satisfied in full all its payment and delivery obligations under Section 2(a)(i) and shall at the relevant time have no future payment or delivery obligations whether absolute or contingent, under Section 2(a)(i).

(b) **Consents.** Section 3(a)(iv) is amended by deleting the word "All" at the beginning of such section and substituting the following in its place:. "Except as may be specified in writing to the other party or acknowledged in writing by the other party prior to the trade date for a specific Transaction, all."

(c) **Absence of Certain Events.** Section 3(b) is amended by adding "(except as may be specified in writing to the other party or acknowledged in writing by the other party prior to the trade date for a specific Transaction)" after the word "Default" in each place that such word appears in such section.

(d) **Representations.** Section 3 is hereby amended by adding at the end thereof the following subsections (g), (h), (i), (j) and (k):

(g) Line of Business. (i) It is entering into this Agreement, including without limitation, any Credit Support Document to which it is a party and each Transaction, in conjunction with its line of business or the financing of its business; and (ii) with respect to Options (other than weather-related options), it is a producer, processor, commercial user of, or merchant handling, the commodity subject to the Transaction or the products or byproducts thereof, and is entering into each Option Transaction solely for purposes related to its business as such; and (iii) with respect to any weather-related Transactions, it is exposed in the conduct of its business to the risk of variations in weather and is entering into such Transactions to manage or offset such risks.

(h) Eligible Swap Participant. It is an "eligible contract participant" under Section 1a(12) (7U.S.C § 1a(12) (2001) of the Commodity Exchange Act, as amended.

(i) Customization and Creditworthiness. The economic terms of this Agreement, any Credit Support Document to which it is a party, and each Transaction have been individually tailored and negotiated by it; it has received and reviewed financial information concerning the other party and has had a reasonable opportunity to ask questions of and receive answers and information from the other party concerning such other party, this Agreement, such Credit Support Document, and such Transaction; the creditworthiness of the other party was a material consideration in its entering into or determining the terms of this Agreement, such Credit Support Document and such

Transaction; and the transferability of this Agreement, such Credit Support Document, and such Transaction is restricted as provided herein and therein.

(j) No Reliance. In connection with the negotiation of, the entering into, and the confirming of the execution of this Agreement, any Credit Support Document to which it is a party, and each Transaction: (i) it is acting for its own account; (ii) the other party is not acting as a fiduciary or financial or investment advisor for it; (iii) it is not relying upon any representations (whether written or oral) of the other party other than the representations expressly set forth in this Agreement and in such Credit Support Document; (iv) it has not been given by the other party (directly or indirectly through any other person) any advice, counsel, assurance, guarantee, or representation whatsoever as to the expected or projected success, profitability, return, performance, result, effect, consequence, or benefit (either legal, regulatory, tax, financial, accounting, or otherwise) of this Agreement, such Credit Support Document, or such Transaction; (v) it has consulted with its own legal, regulatory, tax, business, investment, financial, and accounting advisors to the extent it has deemed necessary, and it has made its own investment, trading, hedging, and other decisions based upon its own judgment and upon any advice from such advisors as it has deemed necessary, and not upon any view expressed by the other party; (vi) its decisions have been the result of arm's length negotiations between the parties; and (vii) it is entering into this Agreement, such Credit Support Document, and such Transaction with a full understanding of all of the risks hereof and thereof (economic and otherwise), and it is capable of assuming and willing to assume those risks.

(k) Agency. On the date of entering into each Transaction, Party A represents to Party B that the execution, delivery, and performance of this Agreement and each Transaction and Confirmation by Energy Manager is within the scope of the power and authority of Energy Manager to act as agent for, and bind KeySpan-Ravenswood, LLC pursuant to resolutions adopted by its Board of Directors.

(e) **Termination of Specified Transactions.** The occurrence or designation of an Early Termination Date on account of an Event of Default or Additional Termination Event with respect to a party hereto ("Y") shall constitute a material breach and event of default (howsoever described) under all Specified Transactions to which Y is a party, whereupon the Non-defaulting Party ("X") shall have the right to terminate, liquidate and otherwise close out any such Specified Transactions (and Y shall be liable for any damages suffered by X as a result thereof).

(f) **Setoff.**

(i) Upon the designation or deemed designation of an Early Termination Date, in addition to and not in limitation of any other right or remedy (including any right to setoff, counterclaim, or otherwise withhold payment) under applicable law, the Non-defaulting Party or the non-Affected Party (in either case, "X") may, at its option and in its discretion, setoff any amounts payable by X (or any of X's Affiliates) to the Defaulting Party or Affected Party (in either case, "Y") under the Agreement or otherwise, against any amounts payable by Y to X (or any of X's Affiliates) under the Agreement or otherwise (irrespective of currency, place of payment or booking office of obligation). The obligations of Y and X under the Agreement in respect of such amounts shall be deemed satisfied and discharged to the extent of any such setoff. X will give Y notice of any setoff effected under this Section as soon as practicable after the setoff is effected, provided that failure to give such notice shall not affect the validity of the setoff.

(ii) For purposes of the foregoing, X shall be entitled to convert any obligation denominated in one currency into another at such rates of exchange as it deems appropriate in good faith and in a commercially reasonable manner, to convert any obligation to deliver non-cash property into an obligation to deliver cash in an amount determined by it as it deems appropriate in good faith and in a commercially reasonable manner, and amounts may be setoff and recouped irrespective of the currency, place of payment or booking office of any obligation to or from Y.

(iii) If an obligation is unascertained, X as appropriate, may in good faith estimate that obligation and setoff and recoup in respect of that estimate, subject to the relevant party's accounting to the other(s) when the obligation is ascertained.

(iv) Nothing in this subsection shall be effective to create a charge or other security interest. This subsection shall be without prejudice and in addition to any right of setoff, recoupment, combination of accounts, lien or other right to which any party is at any time otherwise entitled (whether by operation of law, contract or otherwise).

(g) **Condition Precedent to Payments to the Defaulting Party.** All obligations of a Non-defaulting Party ("X") and under this Agreement, any Specified Transaction with the other party ("Y") or in respect of any other matured, liquidated or terminated obligation to Y are subject to the condition precedent that Y shall have performed all of its obligations to X under this Agreement, any Specified Transaction with X and in respect of any other matured, liquidated or terminated obligation of Y, whether or not contingent and regardless of the currency, place of payment or booking office of the obligation.

(h) **Confidentiality.** The contents of this Agreement and all other documents relating to this Agreement, and any information made available by one party or its Credit Support Provider to the other party or its Credit Support Provider with respect to this Agreement are confidential and shall not be disclosed to any third party (nor shall any public announcement relating to this Agreement be made by either party), except for such information (i) as may become generally available to the public other than a result of a violation of this Agreement, (ii) as may be required or appropriate in response to any summons, subpoena, or otherwise in connection with any litigation or to comply with any applicable law, order, regulation, ruling, or accounting disclosure rule or standard, (iii) as may be obtained from a non-confidential source that disclosed such information in a manner that did not violate its obligations to the non-disclosing party or its Credit Support Provider in making such disclosure, or (iv) as may be furnished to the disclosing party's Affiliates, and to each of such person's auditors, attorneys, advisors or lenders which are required to keep the information that is disclosed in confidence.

(i) **Limitation of Liability.** With respect to claims under this Agreement, no party shall be required to pay or be liable for incidental, consequential, indirect or punitive damages to any other party except to the extent that the payments required to be made pursuant to this Agreement are deemed to be such damages. If and to the extent any payment required to be made pursuant to this Agreement is deemed to constitute liquidated damages, the parties acknowledge and agree that such damages are difficult or impossible to determine and that such payment is intended to be a reasonable approximation of the amount of such damages and not a penalty.

(j) **Waiver.** No waiver by either Party A or Party B of any one or more defaults by the other in the performance of any of the provisions of this Agreement shall operate or be construed to be a waiver of any other default or defaults whether of a like kind or different nature.

(k) **Recording.** Each party consents to the recording, at any time and from time to time, by the other party of any and all telephone communications between the trading and marketing personnel of the parties and their agents in connection with this Agreement or any Transaction hereunder, with or without the use of a warning tone, and waives any further notice of such recording. If not destroyed pursuant to normal destruction time schedule, promptly upon the request by a party, the other party will provide a copy of such recording to the party making the request. Each party agrees (i) to secure such recordings from improper access, (ii) not to distribute or make public any recording without the prior written consent of the other party, subject to applicable law and (iii) that such recordings may be submitted in evidence in any proceeding or action relating to this Agreement.

(l) **Definitions.** This Agreement and each Transaction are subject to the 2000 ISDA Definitions as modified and updated (the "2000 Definitions"), and the 1993 ISDA Commodity Derivatives Definitions as modified and updated by the 2000 Supplement to the 1993 ISDA Commodity Derivatives Definitions (the "1993 Definitions"), (collectively, the "Definitions"), each as published by the International Swaps and Derivatives Association, Inc. ("ISDA"), and will be governed in all respects by the Definitions, but without regard to any further amendments, supplements, updates or restatements made to the Definitions after the effective date of this Agreement unless specifically agreed to in writing by the parties (except that any references to "Swap Transactions" in the Definitions will be deemed to be references to "Transactions"). The Definitions are incorporated by reference in, and made part of, this Agreement and each relevant Confirmation as if set forth in full in this Agreement and such Confirmation. In the event of any inconsistency between the 2000 Definitions and the 1993 Definitions, the 1993 Definitions will govern. In the event of any inconsistency between the provisions of this Agreement and the Definitions, this Agreement will prevail. In the event of any inconsistency between the provisions of any Confirmation and this Agreement or the Definitions, such Confirmation will prevail for the purpose of the relevant Transaction.

(m) **Severability.** If any term, provision, covenant or condition of the Agreement, or the application thereof to any party or circumstance, shall be held to be invalid or unenforceable (in whole or in part) for any reason, the remaining terms, provisions, covenants, and conditions hereof shall continue in full force and effect as if this Agreement had been executed with the invalid or unenforceable portion eliminated, so long as this Agreement as so modified continues to express, without material change, the original intentions of the parties as to the subject matter of this Agreement and the deletion of such portion of this Agreement will not substantially impair the respective benefits or expectations of the parties to this Agreement; provided, however, that this severability provision shall not be applicable if any provision of Sections 1(c), 2, 5, 6, (or any definition or provision in Section 14 to the extent it relates to, or is used or in connection with any such Section) shall be so held to be invalid or unenforceable. The parties shall endeavor in good faith negotiations, to replace the invalid, illegal or unenforceable provisions with valid provisions the economic effect of which comes as close as possible to that of the invalid, illegal or unenforceable provisions.

(n) **Reference Market-makers.** The definition of "Reference Market-makers" in Section 14 of this Agreement is hereby amended by: (i) deleting "(a)" from the second line thereof, (ii) deleting in the fourth line thereof after the word "credit" the words "and (b) to the extent practicable, from among such dealers having an office in the same city" and (iii) replacing such words with the words "or to enter into transactions similar in nature to Transactions."

(o) **Accounts.** If a Confirmation does not state the account to which, or the currency in which, payments are to be made, they shall be made in United States Dollars to the following accounts:

Party A

Pay:	Citibank
For the Account of:	KeySpan Corp.
Account No/CHIPS UID:	00036871
Fed. ABA No.:	021000089

Party B

Pay:	JP Morgan Chase Bank, New York, NY
For the Account of:	Entergy-Koch Trading, LP
Account No/CHIPS UID:	323009980
Fed. ABA No.:	021000021

(p) **Limitation of Rate.** Notwithstanding any provision to the contrary contained in this Agreement, in no event shall the Default Rate, Non-default Rate, or Termination Rate exceed the Highest Lawful Rate. For purposes hereof, "Highest Lawful Rate" shall mean, with respect to each party, the maximum non-usurious interest rate, if any, that at any time or from time to time may be contracted for, taken, reserved, charged, or received on the subject indebtedness under the law applicable to such party.

(q) **Procedures for Entering into Transactions.** On or promptly following the date on which the parties reach agreement on the terms of a Transaction, as contemplated by the first sentence of Section 9(e)(ii), Party A will send to Party B a Confirmation. Party B will promptly thereafter confirm the accuracy of (in the manner required by Section 9(e)(ii)), or request the correction of, such Confirmation (in the later case, indicating how it believes the terms of such Confirmation should be correctly stated and such other terms which should be added to or deleted from such Confirmation to make it correct). If any disputes shall arise as to whether an error exists in a Confirmation, the parties shall resolve the dispute in good faith. If Party B has not accepted or disputed the Confirmation in the manner set forth above within three (3) Local Business Days after it was sent to Party B, the Confirmation shall be deemed binding as sent, absent manifest error. Failure to send or to return an executed Confirmation or any objection regarding a Confirmation by either party shall not invalidate the Transaction agreed to by the parties.

The Parties agree to amend Section 9(e) by adding thereto the following subparagraph (iii) and (iv):

(iii) Should the parties come to an understanding regarding a particular Transaction, the Transaction will be formed and effectuated by a recorded telephone conversation between the parties occurring on any Business Day whereby a bid or offer and acceptance shall constitute the agreement of the parties to a Transaction as evidenced by a tape recording of the conversation effectuated in accordance with this subparagraph ("Transaction Tape"). The parties shall be legally bound by each such Transaction and shall be entitled to rely thereon in doing business related to such Transaction from the time they agree to its terms in accordance with this subparagraph until a written Confirmation is executed by both parties. The Transaction Tape is adopted by the parties as a means by which a Transaction is reduced to tangible form, and the parties to a Transaction are identified and authenticate a Transaction. Any Transaction formed and effectuated pursuant to the foregoing shall be considered "writing" or "in writing" and to have been "signed" and any Transaction Tape shall be considered to constitute an "original" document evidencing the Transaction until it is superceded by a written Confirmation executed by both the parties.

(iv) The parties agree not to contest or assert a defense to the validity or enforceability of telephonic Transactions entered into in accordance with this Schedule under laws relating to (a) whether certain agreements are to be in writing or signed by the party to be thereby bound or (b) the authority of any employee of the party if the employee name is stated in the Transaction Tape.

(r) **Transfer.** The consent referred to in Section 7 shall not be unreasonably withheld.

(s) **Termination of Agreement.** If no Transactions are (or any present or future obligations, contingent or otherwise, thereunder) outstanding under this Agreement, either party may terminate this Agreement upon thirty (30) days advance written notice to the other party.

(t) **Transactions Covered.** Upon execution of this Agreement, unless otherwise agreed to in writing, all Specified Transactions then outstanding and all future Specified Transactions between the parties shall be subject to the terms hereof.

Part 6. Terms of Transactions

Disruption Fallback. Section 7.5(c) of the 1993 ISDA Commodity Derivatives Definitions is hereby amended by adding at the end thereof the following new section:

(vii) "Dealer Fallback" means that, promptly upon becoming aware of the Market Disruption Event or Additional Market Disruption Event, the parties shall expeditiously and jointly agree upon three independent leading dealers in the principal trading market for the relevant underlying commodity market selected in good faith (A) from among dealers of the highest credit standing which satisfy all the criteria that the parties apply generally at the time in deciding whether to offer or to make an extension of credit or to enter into a transaction comparable to the Transaction that is affected by the Market Disruption Event or Additional Market Disruption Event, and (B) to the extent practicable, from among dealers having an office in the same city. Such dealers shall be appointed to make a determination of the Relevant Price taking into consideration the latest available quotation for the relevant Commodity Reference Price and any other information that in good faith they deem relevant. The Relevant Price shall be the arithmetic mean of the three amounts determined to be the Relevant Price by such dealers, in which case such calculation shall be binding and conclusive absent manifest error. If the parties have not agreed upon the appointment of the dealers on or before the sixth Business Day following the first Pricing Date on which the Market Disruption Event or Additional Market Disruption Event occurred or existed, or if a determination of the Relevant Price cannot be obtained from at least three dealers, the next applicable Disruption Fallback shall apply to the Transaction.

Unless otherwise specified in the Confirmation for a Transaction, the following Disruption Fallbacks shall apply to all Transactions in the following order: Fallback Reference Price; with the next applicable Disruption Fallback to be Negotiated Fallback; with the next applicable Disruption Fallback to be Dealer Fallback; and with the next applicable Disruption Fallback to be Postponement.

Section 7.5(e) of the Commodity Definitions shall not apply.

IN WITNESS WHEREOF, the parties have executed this Schedule by their duly authorized officers as of the date hereof.

KEYSPAN-RAVENSWOOD, LLC
through its agent
KEYSPAN ENERGY SUPPLY, INC

ack

By: RA Rapp Jr
Name: Richard A. Rapp, Jr.
Title: Sr. Vice President
Date: January 21, 2004

SD Legal

ENTERY-KOCH TRADING, LP

By: James Jeffery Searle
Name: James Jeffery Searle
Title: President
Date: 1-9-04

RD Credit

ANNEX A ISDA CREDIT SUPPORT ANNEX, including Paragraph 13 thereto

EXHIBIT B FORM OF GUARANTY (PARTY A)

EXHIBIT C FORM OF GUARANTY (PARTY B)

(Bilateral Form) (ISDA Agreements Subject to New York Law Only)

ISDA®

International Swaps and Derivatives Association, Inc.

CREDIT SUPPORT ANNEX

to the Schedule to the

MASTER AGREEMENT

dated as of December 17, 2003

KEYSPAN-RAVENSWOOD, LLC through its agent KEYSPAN ENERGY SUPPLY, INC.	between and	ENTERGY-KOCH TRADING, LP
("Party A")		("Party B")

This Annex supplements, forms part of, and is subject to, the above-referenced Agreement, is part of its Schedule and is a Credit Support Document under this Agreement with respect to each party.

Accordingly, the parties agree as follows:—

Paragraph 1. Interpretation

(a) *Definitions and Inconsistency.* Capitalized terms not otherwise defined herein or elsewhere in this Agreement have the meanings specified pursuant to Paragraph 12, and all references in this Annex to Paragraphs are to Paragraphs of this Annex. In the event of any inconsistency between this Annex and the other provisions of this Schedule, this Annex will prevail, and in the event of any inconsistency between Paragraph 13 and the other provisions of this Annex, Paragraph 13 will prevail.

(b) *Secured Party and Pledgor.* All references in this Annex to the "Secured Party" will be to either party when acting in that capacity and all corresponding references to the "Pledgor" will be to the other party when acting in that capacity; *provided, however*, that if Other Posted Support is held by a party to this Annex, all references herein to that party as the Secured Party with respect to that Other Posted Support will be to that party as the beneficiary thereof and will not subject that support or that party as the beneficiary thereof to provisions of law generally relating to security interests and secured parties.

Paragraph 2. Security Interest

Each party, as the Pledgor, hereby pledges to the other party, as the Secured Party, as security for its Obligations, and grants to the Secured Party a first priority continuing security interest in, lien on and right of Set-off against all Posted Collateral Transferred to or received by the Secured Party hereunder. Upon the Transfer by the Secured Party to the Pledgor of Posted Collateral, the security interest and lien granted hereunder on that Posted Collateral will be released immediately and, to the extent possible, without any further action by either party.

Paragraph 3. Credit Support Obligations

(a) ***Delivery Amount.*** Subject to Paragraphs 4 and 5, upon a demand made by the Secured Party on or promptly following a Valuation Date, if the Delivery Amount for that Valuation Date equals or exceeds the Pledgor's Minimum Transfer Amount, then the Pledgor will Transfer to the Secured Party Eligible Credit Support having a Value as of the date of Transfer at least equal to the applicable Delivery Amount (rounded pursuant to Paragraph 13). Unless otherwise specified in Paragraph 13, the "***Delivery Amount***" applicable to the Pledgor for any Valuation Date will equal the amount by which:

(i) the Credit Support Amount

exceeds

(ii) the Value as of that Valuation Date of all Posted Credit Support held by the Secured Party.

(b) ***Return Amount.*** Subject to Paragraphs 4 and 5, upon a demand made by the Pledgor on or promptly following a Valuation Date, if the Return Amount for that Valuation Date equals or exceeds the Secured Party's Minimum Transfer Amount, then the Secured Party will Transfer to the Pledgor Posted Credit Support specified by the Pledgor in that demand having a Value as of the date of Transfer as close as practicable to the applicable Return Amount (rounded pursuant to Paragraph 13). Unless otherwise specified in Paragraph 13, the "***Return Amount***" applicable to the Secured Party for any Valuation Date will equal the amount by which:

(i) the Value as of that Valuation Date of all Posted Credit Support held by the Secured Party

exceeds

(ii) the Credit Support Amount.

"***Credit Support Amount***" means, unless otherwise specified in Paragraph 13, for any Valuation Date (i) the Secured Party's Exposure for that Valuation Date plus (ii) the aggregate of all Independent Amounts applicable to the Pledgor, if any, minus (iii) all Independent Amounts applicable to the Secured Party, if any, minus (iv) the Pledgor's Threshold; *provided, however*, that the Credit Support Amount will be deemed to be zero whenever the calculation of Credit Support Amount yields a number less than zero.

Paragraph 4. Conditions Precedent, Transfer Timing, Calculations and Substitutions

(a) ***Conditions Precedent.*** Each Transfer obligation of the Pledgor under Paragraphs 3 and 5 and of the Secured Party under Paragraphs 3, 4(d)(ii), 5 and 6(d) is subject to the conditions precedent that:

(i) no Event of Default, Potential Event of Default or Specified Condition has occurred and is continuing with respect to the other party; and

(ii) no Early Termination Date for which any unsatisfied payment obligations exist has occurred or been designated as the result of an Event of Default or Specified Condition with respect to the other party.

(b) ***Transfer Timing.*** Subject to Paragraphs 4(a) and 5 and unless otherwise specified, if a demand for the Transfer of Eligible Credit Support or Posted Credit Support is made by the Notification Time, then the relevant Transfer will be made not later than the close of business on the next Local Business Day; if a demand is made after the Notification Time, then the relevant Transfer will be made not later than the close of business on the second Local Business Day thereafter.

(c) ***Calculations.*** All calculations of Value and Exposure for purposes of Paragraphs 3 and 6(d) will be made by the Valuation Agent as of the Valuation Time. The Valuation Agent will notify each party (or the other party, if the Valuation Agent is a party) of its calculations not later than the Notification Time on the Local Business Day following the applicable Valuation Date (or in the case of Paragraph 6(d), following the date of calculation).

(d) *Substitutions.*

(i) Unless otherwise specified in Paragraph 13, upon notice to the Secured Party specifying the items of Posted Credit Support to be exchanged, the Pledgor may, on any Local Business Day, Transfer to the Secured Party substitute Eligible Credit Support (the "Substitute Credit Support"); and

(ii) subject to Paragraph 4(a), the Secured Party will Transfer to the Pledgor the items of Posted Credit Support specified by the Pledgor in its notice not later than the Local Business Day following the date on which the Secured Party receives the Substitute Credit Support, unless otherwise specified in Paragraph 13 (the "Substitution Date"); *provided* that the Secured Party will only be obligated to Transfer Posted Credit Support with a Value as of the date of Transfer of that Posted Credit Support equal to the Value as of that date of the Substitute Credit Support.

Paragraph 5. Dispute Resolution

If a party (a "Disputing Party") disputes (I) the Valuation Agent's calculation of a Delivery Amount or a Return Amount or (II) the Value of any Transfer of Eligible Credit Support or Posted Credit Support, then (1) the Disputing Party will notify the other party and the Valuation Agent (if the Valuation Agent is not the other party) not later than the close of business on the Local Business Day following (X) the date that the demand is made under Paragraph 3 in the case of (I) above or (Y) the date of Transfer in the case of (II) above, (2) subject to Paragraph 4(a), the appropriate party will Transfer the undisputed amount to the other party not later than the close of business on the Local Business Day following (X) the date that the demand is made under Paragraph 3 in the case of (I) above or (Y) the date of Transfer in the case of (II) above, (3) the parties will consult with each other in an attempt to resolve the dispute and (4) if they fail to resolve the dispute by the Resolution Time, then:

(i) In the case of a dispute involving a Delivery Amount or Return Amount, unless otherwise specified in Paragraph 13, the Valuation Agent will recalculate the Exposure and the Value as of the Recalculation Date by:

(A) utilizing any calculations of Exposure for the Transactions (or Swap Transactions) that the parties have agreed are not in dispute;

(B) calculating the Exposure for the Transactions (or Swap Transactions) in dispute by seeking four actual quotations at mid-market from Reference Market-makers for purposes of calculating Market Quotation, and taking the arithmetic average of those obtained; *provided* that if four quotations are not available for a particular Transaction (or Swap Transaction), then fewer than four quotations may be used for that Transaction (or Swap Transaction); and if no quotations are available for a particular Transaction (or Swap Transaction), then the Valuation Agent's original calculations will be used for that Transaction (or Swap Transaction); and

(C) utilizing the procedures specified in Paragraph 13 for calculating the Value, if disputed, of Posted Credit Support.

(ii) In the case of a dispute involving the Value of any Transfer of Eligible Credit Support or Posted Credit Support, the Valuation Agent will recalculate the Value as of the date of Transfer pursuant to Paragraph 13.

Following a recalculation pursuant to this Paragraph, the Valuation Agent will notify each party (or the other party, if the Valuation Agent is a party) not later than the Notification Time on the Local Business Day following the Resolution Time. The appropriate party will, upon demand following that notice by the Valuation Agent or a resolution pursuant to (3) above and subject to Paragraphs 4(a) and 4(b), make the appropriate Transfer.

Paragraph 6. Holding and Using Posted Collateral

(a) *Care of Posted Collateral.* Without limiting the Secured Party's rights under Paragraph 6(c), the Secured Party will exercise reasonable care to assure the safe custody of all Posted Collateral to the extent required by applicable law, and in any event the Secured Party will be deemed to have exercised reasonable care if it exercises at least the same degree of care as it would exercise with respect to its own property. Except as specified in the preceding sentence, the Secured Party will have no duty with respect to Posted Collateral, including, without limitation, any duty to collect any Distributions, or enforce or preserve any rights pertaining thereto.

(b) *Eligibility to Hold Posted Collateral; Custodians.*

(i) *General.* Subject to the satisfaction of any conditions specified in Paragraph 13 for holding Posted Collateral, the Secured Party will be entitled to hold Posted Collateral or to appoint an agent (a "Custodian") to hold Posted Collateral for the Secured Party. Upon notice by the Secured Party to the Pledgor of the appointment of a Custodian, the Pledgor's obligations to make any Transfer will be discharged by making the Transfer to that Custodian. The holding of Posted Collateral by a Custodian will be deemed to be the holding of that Posted Collateral by the Secured Party for which the Custodian is acting.

(ii) *Failure to Satisfy Conditions.* If the Secured Party or its Custodian fails to satisfy any conditions for holding Posted Collateral, then upon a demand made by the Pledgor, the Secured Party will, not later than five Local Business Days after the demand, Transfer or cause its Custodian to Transfer all Posted Collateral held by it to a Custodian that satisfies those conditions or to the Secured Party if it satisfies those conditions.

(iii) *Liability.* The Secured Party will be liable for the acts or omissions of its Custodian to the same extent that the Secured Party would be liable hereunder for its own acts or omissions.

(c) *Use of Posted Collateral.* Unless otherwise specified in Paragraph 13 and without limiting the rights and obligations of the parties under Paragraphs 3, 4(d)(ii), 5, 6(d) and 8, if the Secured Party is not a Defaulting Party or an Affected Party with respect to a Specified Condition and no Early Termination Date has occurred or been designated as the result of an Event of Default or Specified Condition with respect to the Secured Party, then the Secured Party will, notwithstanding Section 9-207 of the New York Uniform Commercial Code, have the right to:

(i) sell, pledge, rehypothecate, assign, invest, use, commingle or otherwise dispose of, or otherwise use in its business any Posted Collateral it holds, free from any claim or right of any nature whatsoever of the Pledgor, including any equity or right of redemption by the Pledgor; and

(ii) register any Posted Collateral in the name of the Secured Party, its Custodian or a nominee for either.

For purposes of the obligation to Transfer Eligible Credit Support or Posted Credit Support pursuant to Paragraphs 3 and 5 and any rights or remedies authorized under this Agreement, the Secured Party will be deemed to continue to hold all Posted Collateral and to receive Distributions made thereon, regardless of whether the Secured Party has exercised any rights with respect to any Posted Collateral pursuant to (i) or (ii) above.

(d) *Distributions and Interest Amount.*

(i) *Distributions.* Subject to Paragraph 4(a), if the Secured Party receives or is deemed to receive Distributions on a Local Business Day, it will Transfer to the Pledgor not later than the following Local Business Day any Distributions it receives or is deemed to receive to the extent that a Delivery Amount would not be created or increased by that Transfer, as calculated by the Valuation Agent (and the date of calculation will be deemed to be a Valuation Date for this purpose).

(ii) *Interest Amount.* Unless otherwise specified in Paragraph 13 and subject to Paragraph 4(a), in lieu of any interest, dividends or other amounts paid or deemed to have been paid with respect to Posted Collateral in the form of Cash (all of which may be retained by the Secured Party), the Secured Party will Transfer to the Pledgor at the times specified in Paragraph 13 the Interest Amount to the extent that a Delivery Amount would not be created or increased by that Transfer, as calculated by the Valuation Agent (and the date of calculation will be deemed to be a Valuation Date for this purpose). The Interest Amount or portion thereof not Transferred pursuant to this Paragraph will constitute Posted Collateral in the form of Cash and will be subject to the security interest granted under Paragraph 2.

Paragraph 7. Events of Default

For purposes of Section 5(a)(iii)(1) of this Agreement, an Event of Default will exist with respect to a party if:

(i) that party fails (or fails to cause its Custodian) to make, when due, any Transfer of Eligible Collateral, Posted Collateral or the Interest Amount, as applicable, required to be made by it and that failure continues for two Local Business Days after notice of that failure is given to that party;

(ii) that party fails to comply with any restriction or prohibition specified in this Annex with respect to any of the rights specified in Paragraph 6(c) and that failure continues for five Local Business Days after notice of that failure is given to that party; or

(iii) that party fails to comply with or perform any agreement or obligation other than those specified in Paragraphs 7(i) and 7(ii) and that failure continues for 30 days after notice of that failure is given to that party.

Paragraph 8. Certain Rights and Remedies

(a) *Secured Party's Rights and Remedies.* If at any time (1) an Event of Default or Specified Condition with respect to the Pledgor has occurred and is continuing or (2) an Early Termination Date has occurred or been designated as the result of an Event of Default or Specified Condition with respect to the Pledgor, then, unless the Pledgor has paid in full all of its Obligations that are then due, the Secured Party may exercise one or more of the following rights and remedies:

(i) all rights and remedies available to a secured party under applicable law with respect to Posted Collateral held by the Secured Party;

(ii) any other rights and remedies available to the Secured Party under the terms of Other Posted Support, if any;

(iii) the right to Set-off any amounts payable by the Pledgor with respect to any Obligations against any Posted Collateral or the Cash equivalent of any Posted Collateral held by the Secured Party (or any obligation of the Secured Party to Transfer that Posted Collateral); and

(iv) the right to liquidate any Posted Collateral held by the Secured Party through one or more public or private sales or other dispositions with such notice, if any, as may be required under applicable law, free from any claim or right of any nature whatsoever of the Pledgor, including any equity or right of redemption by the Pledgor (with the Secured Party having the right to purchase any or all of the Posted Collateral to be sold) and to apply the proceeds (or the Cash equivalent thereof) from the liquidation of the Posted Collateral to any amounts payable by the Pledgor with respect to any Obligations in that order as the Secured Party may elect.

Each party acknowledges and agrees that Posted Collateral in the form of securities may decline speedily in value and is of a type customarily sold on a recognized market, and, accordingly, the Pledgor is not entitled to prior notice of any sale of that Posted Collateral by the Secured Party, except any notice that is required under applicable law and cannot be waived.

(b) *Pledgor's Rights and Remedies.* If at any time an Early Termination Date has occurred or been designated as the result of an Event of Default or Specified Condition with respect to the Secured Party, then (except in the case of an Early Termination Date relating to less than all Transactions (or Swap Transactions) where the Secured Party has paid in full all of its obligations that are then due under Section 6(e) of this Agreement):

(i) the Pledgor may exercise all rights and remedies available to a pledgor under applicable law with respect to Posted Collateral held by the Secured Party;

(ii) the Pledgor may exercise any other rights and remedies available to the Pledgor under the terms of Other Posted Support, if any;

(iii) the Secured Party will be obligated immediately to Transfer all Posted Collateral and the Interest Amount to the Pledgor; and

(iv) to the extent that Posted Collateral or the Interest Amount is not so Transferred pursuant to (iii) above, the Pledgor may:

(A) Set-off any amounts payable by the Pledgor with respect to any Obligations against any Posted Collateral or the Cash equivalent of any Posted Collateral held by the Secured Party (or any obligation of the Secured Party to Transfer that Posted Collateral); and

(B) to the extent that the Pledgor does not Set-off under (iv)(A) above, withhold payment of any remaining amounts payable by the Pledgor with respect to any Obligations, up to the Value of any remaining Posted Collateral held by the Secured Party, until that Posted Collateral is Transferred to the Pledgor.

(c) *Deficiencies and Excess Proceeds.* The Secured Party will Transfer to the Pledgor any proceeds and Posted Credit Support remaining after liquidation, Set-off and/or application under Paragraphs 8(a) and 8(b) after satisfaction in full of all amounts payable by the Pledgor with respect to any Obligations; the Pledgor in all events will remain liable for any amounts remaining unpaid after any liquidation, Set-off and/or application under Paragraphs 8(a) and 8(b).

(d) *Final Returns.* When no amounts are or thereafter may become payable by the Pledgor with respect to any Obligations (except for any potential liability under Section 2(d) of this Agreement), the Secured Party will Transfer to the Pledgor all Posted Credit Support and the Interest Amount, if any.

Paragraph 9. Representations

Each party represents to the other party (which representations will be deemed to be repeated as of each date on which it, as the Pledgor, Transfers Eligible Collateral) that:

(i) it has the power to grant a security interest in and lien on any Eligible Collateral it Transfers as the Pledgor and has taken all necessary actions to authorize the granting of that security interest and lien;

(ii) it is the sole owner of or otherwise has the right to Transfer all Eligible Collateral it Transfers to the Secured Party hereunder, free and clear of any security interest, lien, encumbrance or other restrictions other than the security interest and lien granted under Paragraph 2;

(iii) upon the Transfer of any Eligible Collateral to the Secured Party under the terms of this Annex, the Secured Party will have a valid and perfected first priority security interest therein (assuming that any central clearing corporation or any third-party financial intermediary or other entity not within the control of the Pledgor involved in the Transfer of that Eligible Collateral gives the notices and takes the action required of it under applicable law for perfection of that interest); and

(iv) the performance by it of its obligations under this Annex will not result in the creation of any security interest, lien or other encumbrance on any Posted Collateral other than the security interest and lien granted under Paragraph 2.

Paragraph 10. Expenses

(a) *General.* Except as otherwise provided in Paragraphs 10(b) and 10(c), each party will pay its own costs and expenses in connection with performing its obligations under this Annex and neither party will be liable for any costs and expenses incurred by the other party in connection herewith.

(b) *Posted Credit Support.* The Pledgor will promptly pay when due all taxes, assessments or charges of any nature that are imposed with respect to Posted Credit Support held by the Secured Party upon becoming aware of the same, regardless of whether any portion of that Posted Credit Support is subsequently disposed of under Paragraph 6(c), except for those taxes, assessments and charges that result from the exercise of the Secured Party's rights under Paragraph 6(c).

(c) *Liquidation/Application of Posted Credit Support.* All reasonable costs and expenses incurred by or on behalf of the Secured Party or the Pledgor in connection with the liquidation and/or application of any Posted Credit Support under Paragraph 8 will be payable, on demand and pursuant to the Expenses Section of this Agreement, by the Defaulting Party or, if there is no Defaulting Party, equally by the parties.

Paragraph 11. Miscellaneous

(a) *Default Interest.* A Secured Party that fails to make, when due, any Transfer of Posted Collateral or the Interest Amount will be obligated to pay the Pledgor (to the extent permitted under applicable law) an amount equal to interest at the Default Rate multiplied by the Value of the items of property that were required to be Transferred, from (and including) the date that Posted Collateral or Interest Amount was required to be Transferred to (but excluding) the date of Transfer of that Posted Collateral or Interest Amount. This interest will be calculated on the basis of daily compounding and the actual number of days elapsed.

(b) *Further Assurances.* Promptly following a demand made by a party, the other party will execute, deliver, file and record any financing statement, specific assignment or other document and take any other action that may be necessary or desirable and reasonably requested by that party to create, preserve, perfect or validate any security interest or lien granted under Paragraph 2, to enable that party to exercise or enforce its rights under this Annex with respect to Posted Credit Support or an Interest Amount or to effect or document a release of a security interest on Posted Collateral or an Interest Amount.

(c) *Further Protection.* The Pledgor will promptly give notice to the Secured Party of, and defend against, any suit, action, proceeding or lien that involves Posted Credit Support Transferred by the Pledgor or that could adversely affect the security interest and lien granted by it under Paragraph 2, unless that suit, action, proceeding or lien results from the exercise of the Secured Party's rights under Paragraph 6(c).

(d) *Good Faith and Commercially Reasonable Manner.* Performance of all obligations under this Annex, including, but not limited to, all calculations, valuations and determinations made by either party, will be made in good faith and in a commercially reasonable manner.

(e) *Demands and Notices.* All demands and notices made by a party under this Annex will be made as specified in the Notices Section of this Agreement, except as otherwise provided in Paragraph 13.

(f) *Specifications of Certain Matters.* Anything referred to in this Annex as being specified in Paragraph 13 also may be specified in one or more Confirmations or other documents and this Annex will be construed accordingly.

Paragraph 12. Definitions

As used in this Annex:—

"*Cash*" means the lawful currency of the United States of America.

"*Credit Support Amount*" has the meaning specified in Paragraph 3.

"*Custodian*" has the meaning specified in Paragraphs 6(b)(i) and 13.

"*Delivery Amount*" has the meaning specified in Paragraph 3(a).

"*Disputing Party*" has the meaning specified in Paragraph 5.

"*Distributions*" means with respect to Posted Collateral other than Cash, all principal, interest and other payments and distributions of cash or other property with respect thereto, regardless of whether the Secured Party has disposed of that Posted Collateral under Paragraph 6(c). Distributions will not include any item of property acquired by the Secured Party upon any disposition or liquidation of Posted Collateral or, with respect to any Posted Collateral in the form of Cash, any distributions on that collateral, unless otherwise specified herein.

"*Eligible Collateral*" means, with respect to a party, the items, if any, specified as such for that party in Paragraph 13.

"*Eligible Credit Support*" means Eligible Collateral and Other Eligible Support.

"*Exposure*" means for any Valuation Date or other date for which Exposure is calculated and subject to Paragraph 5 in the case of a dispute, the amount, if any, that would be payable to a party that is the Secured Party by the other party (expressed as a positive number) or by a party that is the Secured Party to the other party (expressed as a negative number) pursuant to Section 6(e)(ii)(2)(A) of this Agreement as if all Transactions (or Swap Transactions) were being terminated as of the relevant Valuation Time; *provided* that Market Quotation will be determined by the Valuation Agent using its estimates at mid-market of the amounts that would be paid for Replacement Transactions (as that term is defined in the definition of "Market Quotation").

"*Independent Amount*" means, with respect to a party, the amount specified as such for that party in Paragraph 13; if no amount is specified, zero.

"*Interest Amount*" means, with respect to an Interest Period, the aggregate sum of the amounts of interest calculated for each day in that Interest Period on the principal amount of Posted Collateral in the form of Cash held by the Secured Party on that day, determined by the Secured Party for each such day as follows:

(x) the amount of that Cash on that day; multiplied by

(y) the Interest Rate in effect for that day; divided by

(z) 360.

"*Interest Period*" means the period from (and including) the last Local Business Day on which an Interest Amount was Transferred (or, if no Interest Amount has yet been Transferred, the Local Business Day on which Posted Collateral in the form of Cash was Transferred to or received by the Secured Party) to (but excluding) the Local Business Day on which the current Interest Amount is to be Transferred.

"*Interest Rate*" means the rate specified in Paragraph 13.

"*Local Business Day*", unless otherwise specified in Paragraph 13, has the meaning specified in the Definitions Section of this Agreement, except that references to a payment in clause (b) thereof will be deemed to include a Transfer under this Annex.

"*Minimum Transfer Amount*" means, with respect to a party, the amount specified as such for that party in Paragraph 13; if no amount is specified, zero.

"*Notification Time*" has the meaning specified in Paragraph 13.

"*Obligations*" means, with respect to a party, all present and future obligations of that party under this Agreement and any additional obligations specified for that party in Paragraph 13.

"*Other Eligible Support*" means, with respect to a party, the items, if any, specified as such for that party in Paragraph 13.

"*Other Posted Support*" means all Other Eligible Support Transferred to the Secured Party that remains in effect for the benefit of that Secured Party.

"*Pledgor*" means either party, when that party (i) receives a demand for or is required to Transfer Eligible Credit Support under Paragraph 3(a) or (ii) has Transferred Eligible Credit Support under Paragraph 3(a).

"*Posted Collateral*" means all Eligible Collateral, other property, Distributions, and all proceeds thereof that have been Transferred to or received by the Secured Party under this Annex and not Transferred to the Pledgor pursuant to Paragraph 3(b), 4(d)(ii) or 6(d)(i) or released by the Secured Party under Paragraph 8. Any Interest Amount or portion thereof not Transferred pursuant to Paragraph 6(d)(ii) will constitute Posted Collateral in the form of Cash.

"*Posted Credit Support*" means Posted Collateral and Other Posted Support.

"*Recalculation Date*" means the Valuation Date that gives rise to the dispute under Paragraph 5; *provided, however*, that if a subsequent Valuation Date occurs under Paragraph 3 prior to the resolution of the dispute, then the "Recalculation Date" means the most recent Valuation Date under Paragraph 3.

"*Resolution Time*" has the meaning specified in Paragraph 13.

"*Return Amount*" has the meaning specified in Paragraph 3(b).

"*Secured Party*" means either party, when that party (i) makes a demand for or is entitled to receive Eligible Credit Support under Paragraph 3(a) or (ii) holds or is deemed to hold Posted Credit Support.

"*Specified Condition*" means, with respect to a party, any event specified as such for that party in Paragraph 13.

"*Substitute Credit Support*" has the meaning specified in Paragraph 4(d)(i).

"*Substitution Date*" has the meaning specified in Paragraph 4(d)(ii).

"*Threshold*" means, with respect to a party, the amount specified as such for that party in Paragraph 13; if no amount is specified, zero.

"*Transfer*" means, with respect to any Eligible Credit Support, Posted Credit Support or Interest Amount, and in accordance with the instructions of the Secured Party, Pledgor or Custodian, as applicable:

(i) in the case of Cash, payment or delivery by wire transfer into one or more bank accounts specified by the recipient;

(ii) in the case of certificated securities that cannot be paid or delivered by book-entry, payment or delivery in appropriate physical form to the recipient or its account accompanied by any duly executed instruments of transfer, assignments in blank, transfer tax stamps and any other documents necessary to constitute a legally valid transfer to the recipient;

(iii) in the case of securities that can be paid or delivered by book-entry, the giving of written instructions to the relevant depository institution or other entity specified by the recipient, together with a written copy thereof to the recipient, sufficient if complied with to result in a legally effective transfer of the relevant interest to the recipient; and

(iv) in the case of Other Eligible Support or Other Posted Support, as specified in Paragraph 13.

"*Valuation Agent*" has the meaning specified in Paragraph 13.

"*Valuation Date*" means each date specified in or otherwise determined pursuant to Paragraph 13.

"*Valuation Percentage*" means, for any item of Eligible Collateral, the percentage specified in Paragraph 13.

"*Valuation Time*" has the meaning specified in Paragraph 13.

"*Value*" means for any Valuation Date or other date for which Value is calculated and subject to Paragraph 5 in the case of a dispute, with respect to:

(i) Eligible Collateral or Posted Collateral that is:

(A) Cash, the amount thereof; and

(B) a security, the bid price obtained by the Valuation Agent multiplied by the applicable Valuation Percentage, if any;

(ii) Posted Collateral that consists of items that are not specified as Eligible Collateral, zero; and

(iii) Other Eligible Support and Other Posted Support, as specified in Paragraph 13.

Paragraph 13
to
CREDIT SUPPORT ANNEX
TO THE
ISDA MASTER AGREEMENT
dated as of December 17, 2003
between
KEYSPAN-RAVENSWOOD, LLC
a limited liability company organized under the laws of the State of New York
("Party A")
through its agent
KEYSPAN ENERGY SUPPLY, INC.
("Energy Manager")
and
ENTERGY-KOCH TRADING, LP
("Party B")

Paragraph 13. Elections and Variables

(a) *Security Interest for "Obligations."* The term "Obligations" as used in this Annex includes no additional obligations with respect to Party A and Party B.

(b) *Credit Support Obligations*

(i) *"Delivery Amount," "Return Amount" and "Credit Support Amount:"*

(A) "**Delivery Amount**" has the meaning specified in Paragraph 3 (a).

(B) "**Return Amount**" has the meaning specified in Paragraph 3 (b).

(C) "**Credit Support Amount**" has the meaning specified in Paragraph 3 (b).

(ii) *Eligible Collateral.* The following items will qualify as "*Eligible Collateral*" for the party specified:

Eligible Collateral	**Party A**	**Party B**	**Valuation Percentage**
(A) Cash	[X]	[X]	[100]%
(B) Negotiable debt obligations issued by the U.S. Treasury Department having an original maturity at issuance of not more than one year ("Treasury Bills")	[X]	[X]	[99.5]%
(C) Negotiable debt obligations issued by the U.S. Treasury Department having an original maturity at issuance of more than one year but not more than ten years ("Treasury Notes")	[X]	[X]	[98.0]%
(D) Negotiable debt obligations issued by the U.S. Treasury Department having an original maturity at issuance of more than ten years ("Treasury Bonds")	[X]	[X]	[95.0]%

(iii) *Other Eligible Support*. The following items will qualify as "*Other Eligible Support*" for the party specified: one or more irrevocable standby letters of credit, expiring in not less than 20 days, issued by a bank acceptable to the Secured Party under language in a form and in an amount acceptable to the Secured Party. Any cash payment or other distributions of such Other Eligible Support shall constitute Eligible Collateral as set forth above.

		Party A	Party B	Valuation Percentage
(A)	Letter of Credit (as defined in Paragraph 13(j)).	[ ]	[X]	100% of the Value of the Other Eligible Support Unless (i) a Letter of Credit Default shall apply with respect to such Letter of Credit, or (ii) twenty (20) or fewer Business Days remain prior to the expiration of such Letter of Credit, in either of which case the Valuation Percentage shall be zero (0).

(iv) *Thresholds*

(A) "*Independent Amount*" means, with respect to Party A: None, unless otherwise specified in the applicable Confirmation.

"*Independent Amount*" means, with respect to Party B: None, unless otherwise specified in the applicable Confirmation.

(B) "*Threshold*" means:

With respect to Party A, as Pledgor, the Threshold shall be the lower of (i) any dollar limit placed in a guaranty issued by Party A's Credit Support Provider as a Credit Support Document to this Agreement and (ii) the amount set forth in the following table opposite the lowest Credit Rating of Party A's Credit Support Provider. Notwithstanding the foregoing, if any Event of Default is continuing with respect to Party A, Party A's Threshold shall be zero (0).

With respect to Party B, as Pledgor, the Threshold shall be the lower of (i) any dollar limit placed in a guaranty issued by Party B's Credit Support Provider as a Credit Support Document to this Agreement and (ii) the amount set forth in the following table opposite the lowest Credit Rating of Party B's Credit Support Provider. Notwithstanding the foregoing, if any Event of Default is continuing with respect to Party B, Party B's Threshold shall be zero (0).

Moody's Rating	*S&P Rating*	*Threshold*
Aa3 or above	AA- or above	$20,000,000
A1	A+	$15,000,000
A2	A	$15,000,000
A3	A-	$15,000,000
Baa1	BBB+	$10,000,000
Baa2	BBB	$,5,000,000
Baa3 or below (or rating suspended or withdrawn by both Moody's and S&P)	BBB- or below (or rating suspended or withdrawn by both Moody's and S&P)	$ 0 (zero)

(C) *"Minimum Transfer Amount"* means, with respect to Party A: $0.
"Minimum Transfer Amount" means, with respect to Party B: $0.

(D) *Rounding*. The Delivery Amount and the Return Amount will be rounded up and down to the nearest integral multiple of $100,000 respectively.

(c) *Valuation and Timing*

(i) *"Valuation Agent"* means, for purposes of Paragraphs 3, the party making the demand under Paragraph 3; for purposes of Paragraph 4(d), the Secured Party for purposes of calculating the Value of the Substitute Credit Support and Posted Credit Support involved in the substitution; for purposes of Paragraph 5, the Secured Party; and for purposes of Paragraph 6(d), the Secured Party receiving or deemed to receive the Distributions or the Interest Amount, as applicable; provided, however, that in all cases, if an Event of Default or Potential Event of Default or Specified Condition has occurred and is continuing with respect to the party designated as the Valuation Agent, then in such case, and for so long as the Event of Default or Potential Event of Default or Specified Condition continues, the other party shall be the Valuation Agent.

(ii) *"Valuation Date"* means any Local Business Day.

(iii) *"Valuation Time"* means the close of business in the city of the Valuation Agent on the Local Business Day before the Valuation Date or date of calculation, as applicable; *provided* that the calculations of Value and Exposure will be made at approximately the same time on the same date.

(iv) *"Notification Time"* means 1:00 p.m., New York time, on a Local Business Day. Notwithstanding Paragraph 4(b), if on any Local Business Day a demand for Transfer of Eligible Credit Support or Posted Credit Support is made by the Notification Time, then the relevant Transfer will be made by the close of business on that Local Business Day and, if any such demand is made after the Notification Time, the relevant Transfer will be made by the close of business on the next Local Business Day.

(d) *Conditions Precedent and Secured Party's Rights and Remedies*. The following Termination Event(s) will be a **"Specified Condition"** for the party specified (that party being the Affected Party if the Termination Event occurs with respect to that party):

<u>Specified Condition</u>	<u>Party A</u>	<u>Party B</u>
Illegality	[x]	[x]
Tax Event	[ ]	[ ]
Tax Event Upon Merger	[ ]	[ ]
Credit Event Upon Merger	[x]	[x]
Additional Termination Event(s):	[x]	[x]

(e) *Substitution*

"Substitution Date" has the meaning specified in Paragraph 4(d)(ii).

Consent. The Pledgor must obtain the Secured Party's consent for any substitution pursuant to Paragraph 4(d), which consent shall not be unreasonably withheld.

(f) *Dispute Resolution*

(i) *"Resolution Time"* means 1:00 p.m., New York time, on the third Local Business Day following the date on which the notice is given that gives rise to a dispute under Paragraph 5.

(ii) *Value.* For the purpose of Paragraphs 5(i)(C) and 5(ii), the Value of Posted Credit Support will be calculated by the Valuation Agent in accordance with standard market practice.

(a) the actual face value of any Cash collateral; and/or

(b) with respect to any Treasury Bills, Treasury Notes, or Treasury Bonds (referred to herein as "Government Obligations"), the sum of (i) the mean of the high bid and low asked prices quoted on such date by a mutually acceptable principal market maker for such Government Obligations chosen by the Disputing Party, or (ii) if no quotations are available from a mutually acceptable principal market maker (or, if the parties are unable to agree on such a market maker within one day, from three parties that regularly act as dealers in the securities or other property in question, chosen by the Valuation Agent) for such date, the mean of such high bid and low asked prices as of the day, next preceding such date, on which such quotations were available, plus (iii) the accrued interest on such Government Obligations (except to the extent Transferred to a party pursuant to any applicable provision of this Agreement or included in the applicable price referred to in this Paragraph 13(f)(ii)(I) as of such date.

(iii) The provisions of Paragraph 5 will apply.

(g) *Holding and Using Posted Collateral*

Eligibility to Hold Posted Collateral; Custodians. Party A will be entitled to hold Posted Collateral pursuant to Paragraph 6(b); *provided* that the following conditions applicable to it are satisfied:

(1) Party A is not a Defaulting Party.

(2) Posted Collateral may be held only in the United States.

Initially, the Custodian for Party A is: None.

Party B will be entitled to hold Posted Collateral pursuant to Paragraph 6 (b); *provided* that the following conditions applicable to it are satisfied:

(1) Party B is not a Defaulting Party.

(2) Posted Collateral may be held only in the United States.

Initially, the Custodian for Party B is: None.

Notwithstanding the foregoing, Party A and Party B hereby covenant and agree that, except at such times as it or its Credit Support Provider, as the case may be, has a Credit Rating of at least Baa2 (Moody's) or BBB (S&P), it will cause all Posted Collateral received from the other party to be entered in one or more accounts (each, a "Collateral Account") with a Qualified Institution, each of which accounts may include property of other parties, but will bear a title indicating the Pledgor's interest in said account and the Posted Collateral in said account. In addition, the Secured Party may direct the Pledgor to deliver Eligible Collateral directly into the Secured Party's Collateral Account(s). The Secured Party may move the Collateral Accounts from one Qualified Institution to another upon reasonable notice to the Pledgor. The Secured Party shall cause statements concerning the Posted Collateral to be sent to the Pledgor on request, which may not be made more frequently than once in each calendar month.

Use of Posted Collateral. The provisions of Paragraph 6(c) will apply to the Parties.

(h) *Distributions and Interest Amount*

(i) *"Interest Rate."* The *"Interest Rate"* will be the per annum rate equal to the overnight Federal Funds Rate for each day cash is held by the Secured Party as reported in Federal Reserve Publication H.15-519.

(ii) *Transfer of Interest Amount.* The Transfer of the Interest Amount will be made on the last Local Business Day of each calendar month and on any Local Business Day that Posted Collateral in the form of Cash is Transferred to the Pledgor pursuant to Paragraph 3(b). If Transfer of an Interest Amount (or any portion thereof) to a Pledgor on any day would result in, or increase, a Delivery Amount (treating the day as a Valuation Date, as provided in Paragraph 6(d)(ii)) but the Pledgor would nonetheless have no obligation to make a Transfer pursuant to Paragraph 3(a) on that day if it were a Valuation Date (because the Delivery Amount is lower than the Pledgor's Minimum Transfer Amount or otherwise), the Secured Party will be required to Transfer that Interest Amount (or portion thereof) to the Pledgor, notwithstanding anything to the contrary in Paragraph 6(d)(ii).

(iii) *Alternative to Interest Amount.* The provisions of Paragraph 6(d)(ii) will apply.

(i) *Additional Representations. None.*

(j) *Other Eligible Support and Other Posted Support*

(i) *"Value"* with respect to Other Eligible Support and Other Posted Support means the stated amount (undrawn portion) of any Letter of Credit maintained by the Pledgor (or its Credit Support Provider) for the benefit of the Secured Party.

(ii) *"Transfer"* with respect to Other Eligible Support and Other Posted Support means:

(A) For purposes of Paragraph 3(a), delivery of the Letter of Credit by the Pledgor or issuer of the Letter of Credit to the Secured Party at the address of the Secured Party specified in the Notice Section of this Agreement, or delivery of an executed amendment to such Letter of Credit (extending the term or increasing the amount available to the Secured Party thereunder) by the Pledgor or the issuer of the Letter of Credit to the Secured Party at the address of the Secured Party specified in the Notices Section of this Agreement; and

(B) For purposes of Paragraph 3(b), by the return of an outstanding Letter of Credit by the Secured Party to the Pledgor, at the address of the Pledgor specified in the Notices Section of this Agreement, or delivery of an executed amendment to the Letter of Credit in form and substance satisfactory to the Pledgor (reducing the amount available to the Secured Party thereunder) by the Pledgor or the issuer of the Letter of Credit to the Secured Party at the Secured Party's address specified in the Notices Section of this Agreement. If a Transfer is to be effected by a reduction in the amount of an outstanding Letter of Credit previously issued for the benefit of the Secured Party, the Secured Party shall not unreasonably withhold its consent to a commensurate reduction in the amount of such Letter of Credit and shall take such action as is reasonably necessary to effectuate such reduction.

(k) *Additional Definitions.* As used in this Annex:

"Credit Rating" means with respect to a party (or its Credit Support Provider, as the case may be) or entity, on any date of determination, the respective ratings then assigned to such party's (or its Credit Support Provider's, as the case may be) or entity's unsecured, senior long-term debt (not supported by third-party credit enhancement) or current corporate credit rating (whichever is lower), or if such entity is a financial

institution, its long-term unsecured unsubordinated deposits by S&P, Moody's or the other specified rating agency or agencies.

"GAAP" means generally accepted accounting principles that are generally accepted in the country in which the applicable party is organized and on a basis consistent with prior periods.

"Letter of Credit" shall mean an irrevocable, transferable, standby letter of credit, issued by a major U.S. commercial bank or a foreign bank with a U.S. branch office with a Credit Rating of at least "A-" by S&P or "A3" by Moody's, utilizing the form set forth in Schedule A attached hereto, with such changes to the terms in that form as the issuing bank may require and as may be acceptable to the party in whose favor the letter of credit is issued.

"Letter of Credit Default" shall mean with respect to an outstanding Letter of Credit, the occurrence of any of the following events: (i) the issuer of such Letter of Credit shall fail to maintain a Credit Rating of at least "A-" by S&P or "A3" by Moody's; (ii) the issuer of the Letter of Credit shall fail to comply with or perform its obligations under such Letter of Credit if such failure shall be continuing after the lapse of any applicable grace period; (iii) the issuer of such Letter of Credit shall disaffirm, disclaim, repudiate or reject, in whole or in part, or challenge the validity of, such Letter of Credit; (iv) such Letter of Credit shall expire or terminate, or shall fail or cease to be in full force and effect at any time during the term of this Agreement; or (v) any event analogous to an event specified in Section 5(a)(vii) of this Agreement shall occur with respect to the issuer of such Letter of Credit *provided, however,* that no Letter of Credit Default shall occur in any event with respect to a Letter of Credit after the time such Letter of Credit is required to be canceled or returned to the Pledgor in accordance with the terms of this Annex.

"Moody's" shall mean Moody's Investors Service, Inc. or its successor.

"Qualified Institution" means a major U.S. commercial bank or a foreign bank with a U.S. branch office which is not the Pledgor (or a subsidiary or Affiliate of the Pledgor) having assets of at least $10 Billion and with a Credit Rating of at least "A-" by S&P or "A3" by Moody's.

"S&P" shall mean the Standard & Poor's Rating Group (a division of McGraw-Hill, Inc.) or its successor.

(l) **Demands and Notices.** All demands, specifications, and notices under this Annex will be made pursuant to the Notices Section of this Agreement, unless otherwise specified here:

Party A:
KeySpan Energy Supply, Inc. as agent for KeySpan-Ravenswood, LLC
303 Merrick Road
Lynbrook, NY 11563
Attention: Contract Administrator
Facsimile No.: (516) 596-9622
Telephone No.: (516) 256-2611

A copy of any notice sent to Party A pursuant to Section 5 or 6 of the Agreement must also be sent to:

KeySpan Corporation
Legal Department
175 East Old Country Road
Hicksville, New York 11801
Attention: Andrea Elder-Howell, Senior Counsel
Facsimile No.: (516) 545-5029
Telephone No.: (516) 545-4662

KEYSPAN

KeySpan Corporation
One MetroTech Center
Brooklyn, NY 11201-3851
Tel 718 403-2865
Fax 718 403-2820
E-Mail gluterman@keyspanenergy.com
www.keyspanenergy.com

Gerald Luterman
Executive Vice President
& Chief Financial Officer

December 19, 2003

Entergy-Koch Trading, L.P.
20 East Greenway Plaza
Suite 700
Houston, TX 77046
Attn: Credit Manager

Dear Sir or Madam:

In consideration of, and in order to induce Entergy-Koch Trading, L.P. ("Entergy-Koch") to purchase, sell or exchange electric power, natural gas or derivative contracts related to natural gas, electricity or other petroleum products pursuant to contracts(s) and/or division order(s) (the "Transactions"), from time to time, for the benefit of KeySpan Ravenswood, LLC, and/or KeySpan Energy Services, Inc. (the "Guaranteed Parties"), both wholly-owned subsidiaries of KeySpan Corporation d/b/a KeySpan Energy ("KeySpan"), KeySpan guarantees to the benefit of Entergy-Koch, the payment by the Guaranteed Parties of all amounts that the Guaranteed Parties are obligated to pay for the Transactions up to $10,000,000 (ten million U.S. dollars) in the aggregate.

KeySpan unconditionally guarantees, subject to the exception set forth below in this paragraph, to Entergy-Koch the full, faithful and prompt payment, performance and discharge by the Guaranteed Parties of all the terms and conditions of the Transaction and any supplemental agreements thereto. It being understood that this guaranty is made by KeySpan, for which this guaranty does not include the assets of The Brooklyn Union Gas Co. d/b/a KeySpan Energy Delivery – New York, KeySpan Gas East Corp. d/b/a KeySpan Energy Delivery – Long Island, KeySpan Generation LLC, KeySpan-Glenwood Energy Center LLC, KeySpan-Port Jefferson Energy Center LLC, and/or any of EnergyNorth Natural Gas; Inc., Boston Gas Company, Colonial Gas Company, and/or Essex Gas Company, each d/b/a KeySpan Energy Delivery New England, nor may any payment, performance or discharge be made by these entities to support such guaranty. In the event of any default by the Guaranteed Parties in payment or performance of any of its obligations under the Transaction, KeySpan, after 10 days written notice of such

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deficiency, shall be and become bound to pay, perform and discharge the same in the same manner and as fully as if KeySpan had originally executed the Transaction. KeySpan will pay and perform its obligations hereunder upon demand, after 10 days written notice of such deficiency, without requiring any proceedings to be taken against the Guaranteed Parties, or any third party, and without the necessity of enforcing any remedy available under the terms of the Transaction. It being understood, that if the Guaranteed Parties have not paid any and/or all payments due under the Transaction within five (5) days of due date of the payment, KeySpan will upon demand pay, after 10 days written notice of such deficiency, such invoices without requiring Entergy-Koch to make further demand upon the Guaranteed Parties. This is a guaranty of payment and not collection.

KeySpan's liability hereunder is limited to direct, actual, monetary damages under the Transaction, provided that, in no event will KeySpan be subject to consequential, special, exemplary, equitable, loss of profits, tort or any other damages, except for attorney's fees or costs incurred in enforcing its rights hereunder in good faith. KeySpan reserves to itself all rights, setoffs, counterclaims and other defenses to which the Guaranteed Parties, or any other KeySpan affiliate, is or may be entitled. Except as provided hereunder KeySpan's obligation hereunder shall not be affected by the existence, validity, enforceability, perfection, or extent of any collateral therefore or by any other surety defense relating to the Transaction that might otherwise constitute a legal or equitable discharge of or defense to KeySpan not available to the Guaranteed Parties.

The liability of the undersigned under this Guaranty shall be absolute and unconditional, subject to the exceptions above, irrespective of (i) any change of the time, manner or place of payment, or any other term, of any Transaction; (ii) any exchange, release or non-perfection of any collateral securing payment of any Transaction; and (iii) any discharge of, the Guaranteed Parties or KeySpan. This Guaranty shall continue to be effective or be reinstated, as the case may be, if at any time any payment of any of the obligations incurred while this Guaranty is in effect is rescinded or must otherwise be returned by Entergy-Koch to the Guaranteed Parties upon the insolvency, bankruptcy or reorganization of the Guaranteed Parties or otherwise, all as though such payment had not been made.

This Guaranty shall become effective January 1, 2004 at 12:01 a.m. and will terminate at December 31, 2004 at 11:59 p.m. or immediately after written notice of termination from KeySpan ("Termination Date"). No termination of this Guaranty shall affect any valid and enforceable obligations incurred by KeySpan under this Guaranty at the time of termination. Guarantor's obligations hereunder shall continue until the later of the termination date (as defined above) or the satisfaction of only those valid obligations existing at the time of termination.

Notice of acceptance of this Guaranty and the Transaction as well as notice dishonor and protest to which KeySpan otherwise might be entitled are hereby waived. The liability of KeySpan hereunder, subject to the exception with respect to the entities identified in

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paragraph 2 above, shall not be modified in any manner whatsoever by an composition, extensions, moratoria, or other relief granted to the Guaranteed Parties pursuant to the U.S. Bankruptcy Code, as amended, or any other federal or state statute presently in force or hereafter enacted. The failure to exercise any of your rights hereunder shall not operate as a waiver hereunder and all of your rights and remedies shall be cumulative and not alternative.

This Guaranty shall inure to the benefit of your successors and assigns and be binding upon the successors and assigns of KeySpan. KeySpan shall not delegate or assign its duties and obligations hereunder without Entergy-Koch's consent. This Guaranty shall not apply if the Guaranteed Parties' obligation arises pursuant to an assignment of contracts and/or agreements to a non-affiliated entity for which Entergy-Koch's consent was granted. This Guaranty supersedes and replaces all prior guarantees given by KeySpan to Entergy-Koch on behalf of Guaranteed Parties. This Guaranty shall be governed by the laws of the State of New York.

The Guarantor in executing this Guaranty, respects and warrants to Entergy-Koch that:

(i) The Guarantor is a legal business entity duly organized and existing in good standing and has full power and authority to make and deliver this Guaranty;

(ii) The execution, delivery and performance of the Guaranty by the Guarantor has been duly authorized by all necessary action of its principals and does not and will not violate the provisions of, or constitute default under, any presently applicable law or its organizational instruments or any agreement presently binding on it; and

(iii) This Guaranty has been duly executed and delivered by the authorized officers of the Guarantor and constitutes its lawful, binding and legally enforceable obligation.

IN WITNESS WHEREOF, KeySpan has executed this Guaranty the 19th day of December, 2003

KEYSPAN CORPORATION

By: [signature]
Gerald Luterman
Executive Vice President and
Chief Financial Officer

Form **W-9**
(Rev. January 2002)
Department of the Treasury
Internal Revenue Service

Request for Taxpayer Identification Number and Certification

Give form to the requester. Do not send to the IRS.

Print or type — See Specific Instructions on page 2

Name
KEYSPAN CORPORATION

Business name, if different from above
KEYSPAN RAVENSWOOD, LLC

Check appropriate box: ☐ Individual/ Sole proprietor ☒ Corporation ☐ Partnership ☐ Other ▶ ______ ☐ Exempt from backup withholding

Address (number, street, and apt. or suite no.)
ONE METROTECH CENTER

Requester's name and address (optional)
Entergy-Koch Trading, L.P.

City, state, and ZIP code
BROOKLYN, NEW YORK 11201

List account number(s) here (optional)

Part I Taxpayer Identification Number (TIN)

Enter your TIN in the appropriate box. For individuals, this is your social security number (SSN). However, for a resident alien, sole proprietor, or disregarded entity, see the Part I instructions on page 2. For other entities, it is your employer identification number (EIN). If you do not have a number, see How to get a TIN on page 2.

Note: *If the account is in more than one name, see the chart on page 2 for guidelines on whose number to enter.*

Social security number

or

Employer identification number
11-3431358

Part II Certification

Under penalties of perjury, I certify that:

1. The number shown on this form is my correct taxpayer identification number (or I am waiting for a number to be issued to me), and
2. I am not subject to backup withholding because: (a) I am exempt from backup withholding, or (b) I have not been notified by the Internal Revenue Service (IRS) that I am subject to backup withholding as a result of a failure to report all interest or dividends, or (c) the IRS has notified me that I am no longer subject to backup withholding, and
3. I am a U.S. person (including a U.S. resident alien).

Certification instructions. You must cross out item 2 above if you have been notified by the IRS that you are currently subject to backup withholding because you have failed to report all interest and dividends on your tax return. For real estate transactions, item 2 does not apply. For mortgage interest paid, acquisition or abandonment of secured property, cancellation of debt, contributions to an individual retirement arrangement (IRA), and generally, payments other than interest and dividends, you are not required to sign the Certification, but you must provide your correct TIN. (See the instructions on page 2.)

Sign Here Signature of U.S. person ▶ Stephanie Graham Ferguson Date ▶ August 1, 2003

Purpose of Form

A person who is required to file an information return with the IRS must get your correct taxpayer identification number (TIN) to report, for example, income paid to you, real estate transactions, mortgage interest you paid, acquisition or abandonment of secured property, cancellation of debt, or contributions you made to an IRA.

Use Form W-9 only if you are a U.S. person (including a resident alien), to give your correct TIN to the person requesting it (the requester) and, when applicable, to:

1. Certify the TIN you are giving is correct (or you are waiting for a number to be issued),

2. Certify you are not subject to backup withholding, or

3. Claim exemption from backup withholding if you are a U.S. exempt payee.

If you are a foreign person, use the appropriate Form W-8. See Pub. 515, Withholding of Tax on Nonresident Aliens and Foreign Entities.

Note: *If a requester gives you a form other than Form W-9 to request your TIN, you must use the requester's form if it is substantially similar to this Form W-9.*

What is backup withholding? Persons making certain payments to you must under certain conditions withhold and pay to the IRS 30% of such payments after December 31, 2001 (29% after December 31, 2003). This is called "backup withholding." Payments that may be subject to backup withholding include interest, dividends, broker and barter exchange transactions, rents, royalties, nonemployee pay, and certain payments from fishing boat operators. Real estate transactions are not subject to backup withholding.

You will not be subject to backup withholding on payments you receive if you give the requester your correct TIN, make the proper certifications, and report all your taxable interest and dividends on your tax return.

Payments you receive will be subject to backup withholding if:

1. You do not furnish your TIN to the requester, or

2. You do not certify your TIN when required (see the Part II instructions on page 2 for details), or

3. The IRS tells the requester that you furnished an incorrect TIN, or

4. The IRS tells you that you are subject to backup withholding because you did not report all your interest and dividends on your tax return (for reportable interest and dividends only), or

5. You do not certify to the requester that you are not subject to backup withholding under 4 above (for reportable interest and dividend accounts opened after 1983 only).

Certain payees and payments are exempt from backup withholding. See the instructions on page 2 and the separate **Instructions for the Requester of Form W-9.**

Penalties

Failure to furnish TIN. If you fail to furnish your correct TIN to a requester, you are subject to a penalty of $50 for each such failure unless your failure is due to reasonable cause and not to willful neglect.

Civil penalty for false information with respect to withholding. If you make a false statement with no reasonable basis that results in no backup withholding, you are subject to a $500 penalty.

Criminal penalty for falsifying information. Willfully falsifying certifications or affirmations may subject you to criminal penalties including fines and/or imprisonment.

Misuse of TINs. If the requester discloses or uses TINs in violation of Federal law, the requester may be subject to civil and criminal penalties.

ISA
STF FED8132F.1

KEYSPAN-RAVENSWOOD, LLC

Secretary's Certificate and Certificate of Incumbency

The undersigned hereby certifies that he is the duly elected, qualified and acting Senior Vice President and Secretary of KeySpan-Ravenswood, LLC, a New York limited liability company (the "Company"), and hereby further certifies, on behalf of the Company, as follows:

(a) Attached hereto as Exhibit A and Exhibit B are true, complete and correct copies of resolutions duly adopted by unanimous written consent of the sole member of the Board of Directors of the Company, which resolutions have not been amended, modified or rescinded since the date of adoption thereof, and are in full force and effect on the date hereof.

(b) Set forth below is the name and title of a duly elected, qualified and acting officer of the Company; such person holds the office set forth opposite his name, and the signature appearing opposite the name of such officer is the genuine signature of such officer.

Name	Title	Signature
James K. Brennan	Vice President	James K. Brennan

(c) Set forth below is the name and title of a duly qualified and acting agent of the Company, such person is an officer of the duly authorized Agent of the Company and the signature appearing opposite the name of such agent is the genuine signature of such agent.

Name	Title	Signature
Richard A. Rapp, Jr.	Senior Vice President, KeySpan Energy Supply, Inc., Agent of the Company	RA Rapp

IN WITNESS WHEREOF, the undersigned has executed this Secretary's Certificate and Certificate of Incumbency the 19TH day of August 2003.

John J. Bishar, Jr.
Senior Vice President and Secretary

[Corporate Seal]

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EXHIBIT A

KEYSPAN-RAVENSWOOD, LLC

Action of Manager

The undersigned, being the sole member of the Board of Directors of KeySpan-Ravenswood, LLC, a New York limited liability company (the "Company"), which Board of Directors constitutes the Manager of the Company, acting by written consent without a meeting pursuant to Section 419 of the New York Limited Liability Law, does hereby consent to the adoption of the following resolutions:

WHEREAS, the Company wishes to reappoint and affirm KeySpan Energy Supply, Inc. as its agent and/or manager for: (1) the procurement of its fuel supply and (2) for energy brokering activities, including, but not limited to negotiating and executing derivative contracts and bidding the Company's power sales into the wholesale electricity markets.

NOW, THEREFORE, IT IS RESOLVED, that KeySpan Energy Supply, Inc. is hereby reappointed and affirmed as agent and/or manager for the Company for the procurement of its fuel supply;

RESOLVED, that KeySpan Energy Supply, Inc. is hereby reappointed and affirmed as agent and/or manager for the Company for energy brokering activities, including, but not limited to negotiating and executing derivative contracts, including, but not limited to ISDA Agreements and the bidding the Company's power sales into the wholesale electricity markets; and

RESOLVED, that each of the proper officers of the Company are authorized, in the name and on behalf of the Company, to take or cause to be taken any and all such further action and to prepare, execute and deliver or to cause to be prepared, executed and delivered all such further agreements, documents, certificates and undertakings, as well as any amendments or modifications thereto and to incur all related fees and expenses, as in his or her judgment shall be necessary to carry out and effectuate the intent of the foregoing resolutions.

IN WITNESS WHEREOF, the undersigned, being the sole member of the Board of Directors of the Company, which Board of Directors constitutes the Manager of the Company, has duly adopted the foregoing resolutions by written consent as of this 1 day of August 2003.

Howard A. Kosel

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EXHIBIT B

KEYSPAN-RAVENSWOOD, LLC

Action of Manager

The undersigned, being the sole member of the Board of Directors of KeySpan-Ravenswood, LLC, a New York limited liability company (the "Company"), which Board of Directors constitutes the Manager of the Company, acting by written consent without a meeting pursuant to Section 419 of the New York Limited Liability Law, does hereby consent to the adoption of the following resolutions:

WHEREAS, the Company wishes to enter into an ISDA Master Agreement with Entergy-Koch Trading, L.P. to hedge against future price fluctuations of electric power, natural gas and other petroleum products;

NOW, THEREFORE, IT IS RESOLVED, that the negotiation, execution, delivery and performance by the Company or its agent, KeySpan Energy Supply, Inc. (the "Agent"), of an ISDA Master Agreement, Credit Support Annex, any related Schedules, Confirmations or other documents (the "ISDA") on such terms and conditions as the proper officers of the Company or the Agent deem necessary and advisable, be, and the same hereby are, approved, authorized and ratified in all respects;

FURTHER RESOLVED, that the proper officers of the Company are hereby authorized, directed and empowered, in the name and on behalf of the Company, to execute, file, deliver and perform, and to take or cause to be taken any action necessary to execute, file, deliver and perform, any other documents, instruments or certificates required to effectuate the execution of the ISDA, including any amendments, modifications or supplements thereto; and to take all such further action as any such proper officer deems necessary, proper, convenient, or desirable in order to carry out the foregoing resolutions and to effectuate the purposes and intents thereof, the taking of any such action to be conclusive evidence of the approval thereof by the Manager of the Company;

FURTHER RESOLVED, that all actions previously taken and any and all documents, instruments or certificates previously executed in connection with the ISDA are hereby approved, ratified and confirmed in all respects; and

FURTHER RESOLVED, that each of the President, any Vice President or Controller of the Company or the President, Chief Executive Officer, any Senior Vice-President, Vice President, Secretary or Controller of the Agent shall be considered a proper officer of the Company for the purposes of each of the foregoing resolutions.

IN WITNESS WHEREOF, the undersigned, being the sole member of the Board of Directors of the Company, which Board of Directors constitutes the Manager of the Company, has duly adopted the foregoing resolutions by written consent as of this _1_ day of August 2003.

Howard A. Kosel

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GUARANTY

Guaranty, dated as of June 4, 2003 by Entergy-Koch, LP a limited partnership formed pursuant to the laws of Delaware (the "Guarantor"), in favor of KeySpan Ravenswood, LLC ("Beneficiary").

1. **Guaranty.** In consideration of the Beneficiary having entered into, or entering into contracts and agreements for the sale, purchase, exchange, transportation, commodity price swaps, commodity options or other similar transactions with respect to crude oil, natural gas, electric power, weather derivatives, or other energy commodities by and between Entergy-Koch Trading, LP ("EKT"), a subsidiary of the Guarantor, and the Beneficiary (collectively the "Guaranteed Contract(s)"), the Guarantor irrevocably and unconditionally guarantees to Beneficiary, its successors and assigns, the prompt payment when due, subject to any applicable grace period, of all of EKT's present and future payment obligations to Beneficiary under the Guaranteed Contracts (the "Obligations"). Guarantor's liability under this Guaranty and the Beneficiary's right to recover under same shall be limited to an aggregate amount of FIVE MILLION UNITED STATES DOLLARS ($5,000,000), (the "Guarantor's Liability Limit"). Guarantor acknowledges that it will benefit directly or indirectly from the transactions to be entered into between the Beneficiary and EKT.

2. **Nature of Guaranty.** This Guaranty constitutes a guarantee of payment and not of collection. In the event that any payment of EKT in respect of any Obligations is rescinded or recovered from Beneficiary as a preference or fraudulent transfer under the Federal Bankruptcy Code, or any applicable state law, the Guarantor shall remain liable hereunder in respect to such Obligations as if such payment had not been made. This Guaranty shall continue to be effective if EKT merges or consolidates with or into another entity, loses its separate legal identity or ceases to exist. **GUARANTOR SHALL NOT BE REQUIRED TO PAY SPECIAL, EXEMPLARY, PUNITIVE, INCIDENTAL, CONSEQUENTIAL OR INDIRECT DAMAGES (WHETHER OR NOT ARISING FROM A PARTY'S NEGLIGENCE) TO BENEFICIARY, EXCEPT TO THE EXTENT THAT THE PAYMENTS REQUIRED TO BE MADE PURSUANT TO THE OBLIGATIONS UNDER THE GUARANTEED CONTRACTS ARE DEEMED TO BE SUCH DAMAGES. IF AND TO THE EXTENT ANY PAYMENT MADE PURSUANT TO THE OBLIGATIONS UNDER THE GUARANTEED CONTRACTS IS DEEMED TO CONSTITUTE LIQUIDATED DAMAGES, THE PARTIES ACKNOWLEDGE AND AGREE THAT DAMAGES ARE DIFFICULT OR IMPOSSIBLE TO DETERMINE AND THAT SUCH PAYMENT CONSTITUTES A REASONABLE APPROXIMATION OF THE AMOUNT OF SUCH DAMAGES, AND NOT A PENALTY.**

3. **Consents, Waivers and Renewals.** Guarantor agrees that Beneficiary may, at any time and from time to time, without notice to or consent of the Guarantor and without impairing or releasing the obligations of the Guarantor hereunder: (1) make any change in the terms of any Obligation or liability of EKT to Beneficiary, (2) take or fail to take any action of any kind in respect of any security for any Obligation or liability of EKT to Beneficiary, (3) exercise or refrain from exercising any rights against EKT or others, or (4) waive or compromise any right under any Guaranteed Contract or subordinate any Obligation or liability of EKT to Beneficiary including any security therefore.

4. **Expenses.** The Guarantor agrees to pay on demand all reasonable out-of-pocket expenses (including the reasonable fees and expenses of Beneficiary's counsel) in any way relating to the enforcement or protection of the rights of Beneficiary hereunder; provided, that the Guarantor shall not be liable for any expenses of Beneficiary if no payment under this Guaranty is due; and provided further that Guarantor's obligation to pay any such reasonable out-of-pocket expenses shall be subject to, and included within, Guarantor's Liability Limit to the same extent as any other liability incurred by Guarantor hereunder.

5. **Subrogation**. Upon the payment in full of all Obligations arising out of any Guaranteed Contract, the Guarantor shall be subrogated to the rights of the Beneficiary against EKT with respect to any and all such payments made by Guarantor hereunder, and Beneficiary agrees to take such steps as the Guarantor may reasonably request, at the Guarantor's expense, to confirm and/or implement such subrogation rights.

6. **Setoffs and Counterclaims**. Guarantor reserves to itself all rights, counterclaims and other defenses which EKT is or may be entitled to arising from or out of the Guaranteed Contracts, except for defenses arising out of the bankruptcy, insolvency, dissolution or liquidation of EKT, the power or authority of EKT to enter into the Guaranteed Contracts, and to perform its Obligations thereunder, and the lack of validity or enforceability of the Guaranteed Contracts or any other documents executed in connection with the Guaranteed Contracts.

7. **No Waiver; Cumulative Rights**. No failure or delay on the part of Beneficiary to exercise, and no delay in exercising, any right, remedy or power hereunder shall operate as a waiver thereof, nor shall any single or partial exercise by Beneficiary of any right, remedy or power hereunder preclude any other or future exercise of any right, remedy or power. Each and every right, remedy and power hereby granted to Beneficiary or allowed it by law or other agreement shall be cumulative and not exclusive of any other, and may be exercised by Beneficiary from time to time.

8. **Waiver of Notice**. The Guarantor waives notice of the acceptance of this Guaranty, presentment, demand, notice of dishonor, protest, notice of any sale of collateral security and all other notices whatsoever.

9. **Representation and Warranties.**

(a) The Guarantor is duly organized, validly existing and in good standing under the laws of the jurisdiction of its formation and has full corporate power to execute, deliver and perform this Guaranty.

(b) The execution, delivery and performance of this Guaranty have been and remain duly authorized by all necessary corporate action and do not contravene any provision of law or of the Guarantor's constitutional documents or any contractual restriction binding on the Guarantor or its assets.

(c) This Guaranty constitutes the legal, valid and binding obligation of the Guarantor enforceable against the Guarantor in accordance with its terms, subject to bankruptcy, insolvency, reorganization and other laws of general applicability relating to or affecting creditors' rights and to general equity principles.

10. **Assignment**. Neither the Guarantor nor the Beneficiary may assign its rights, interest or obligations hereunder to any other person without the prior written consent of the Guarantor or the Beneficiary, as the case may be, which consent shall not be unreasonably withheld and any purported assignment absent such consent is void.

11. **Notices**. All notices or other communications to the Guarantor shall be in writing and shall be given in the same manner and with the same effect as set forth in the Guaranteed Contracts. The Guarantor's address for notices is as follows:

Entergy-Koch, LP
Attn: Treasurer
20 E. Greenway Plaza
Houston, TX 77046
Fax: (713) 544-5551

The Beneficiary's address for notices is as follows:

KeySpan Ravenswood, LLC
One MetroTech Center
Brooklyn, New York 11201

or such other address as either the Guarantor or Beneficiary shall from time to time specify to the other party.

12. **Termination.** This is a continuing Guaranty of all present and future Obligations of EKT to the Beneficiary. Guarantor may terminate this Guaranty at any time upon written notice to Beneficiary, which termination shall become effective on the eleventh (11th) day after the date of receipt by the Beneficiary of such notice. Notwithstanding any other provision of this Guaranty, this Guaranty shall continue to apply only to those Obligations of EKT to the Beneficiary, pursuant to any Guaranteed Contract(s), incurred or arising on or before the effective date of termination.

13. **GOVERNING LAW. THIS GUARANTY SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK WITHOUT REFERENCE TO CHOICE OF LAW DOCTRINE.**

14. **Waiver of Right to Trial by Jury. Each party hereby irrevocably waives any and all rights to trial by jury with respect to any legal proceeding arising out of or relating to this Guaranty or any Obligations arising under the Guaranteed Contracts.**

IN WITNESS WHEREOF, the Guarantor has caused its duly authorized officer to execute and deliver this Guaranty as of the date first above written. The Guaranty becomes effective concurrent with the effective date of the Guaranteed Contracts according to its terms.

ENTERGY-KOCH, LP

Signature Dennis Albrecht

Legal

Name: Dennis Albrecht
Title: Chief Financial Officer

Form **W-9**
(Rev. December 2000)
Department of the Treasury
Internal Revenue Service

Request for Taxpayer Identification Number and Certification

Give form to the requester. Do not send to the IRS.

Please print or type

Name (See Specific Instructions on page 2.)
Entergy-Koch Trading, LP

Business name, if different from above. (See Specific Instructions on page 2.)

Check appropriate box: ☐ Individual/Sole proprietor ☐ Corporation ☐ Partnership ☒ Other ▸ Limited Partnership

Address (number, street, and apt. or suite no.)
20 East Greenway Plaza

Requester's name and address (optional)

City, state, and ZIP code
Houston, Texas 77046

Part I Taxpayer Identification Number (TIN)

List account number(s) here (optional)

Enter your TIN in the appropriate box. For individuals, this is your social security number (SSN). However, **for a resident alien, sole proprietor, or disregarded entity, see the Part I instructions on page 2.** For other entities, it is your employer identification number (EIN). If you do not have a number, see **How to get a TIN** on page 2.

Note: If the account is in more than one name, see the chart on page 2 for guidelines on whose number to enter.

Social security number

or

Employer identification number
76-0667493

Part II For U.S. Payees Exempt From Backup Withholding (See the instructions on page 2.)

▶

Part III Certification

Under penalties of perjury, I certify that:

1. The number shown on this form is my correct taxpayer identification number (or I am waiting for a number to be issued to me), and
2. I am not subject to backup withholding because: (a) I am exempt from backup withholding, or (b) I have not been notified by the Internal Revenue Service (IRS) that I am subject to backup withholding as a result of a failure to report all interest or dividends, or (c) the IRS has notified me that I am no longer subject to backup withholding, and
3. I am a U.S. person (including a U.S. resident alien).

Certification instructions. You must cross out item 2 above if you have been notified by the IRS that you are currently subject to backup withholding because you have failed to report all interest and dividends on your tax return. For real estate transactions, item 2 does not apply. For mortgage interest paid, acquisition or abandonment of secured property, cancellation of debt, contributions to an individual retirement arrangement (IRA), and generally, payments other than interest and dividends, you are not required to sign the Certification, but you must provide your correct TIN. (See the instructions on page 2.)

Sign Here Signature of U.S. person ▶ Marty Jo Rogers Date ▶ 10-12-2001

Purpose of Form

A person who is required to file an information return with the IRS must get your correct taxpayer identification number (TIN) to report, for example, income paid to you, real estate transactions, mortgage interest you paid, acquisition or abandonment of secured property, cancellation of debt, or contributions you made to an IRA.

Use Form W-9 only if you are a U.S. person (including a resident alien), to give your correct TIN to the person requesting it (the requester) and, when applicable, to:

1. Certify the TIN you are giving is correct (or you are waiting for a number to be issued),
2. Certify you are not subject to backup withholding, or
3. Claim exemption from backup withholding if you are a U.S. exempt payee.

If you are a foreign person, use the appropriate Form W-8. See Pub. 515, Withholding of Tax on Nonresident Aliens and Foreign Corporations.

Note: If a requester gives you a form other than Form W-9 to request your TIN, you must use the requester's form if it is substantially similar to this Form W-9.

What is backup withholding? Persons making certain payments to you must withhold and pay to the IRS 31% of such payments under certain conditions. This is called "backup withholding." Payments that may be subject to backup withholding include interest, dividends, broker and barter exchange transactions, rents, royalties, nonemployee pay, and certain payments from fishing boat operators. Real estate transactions are not subject to backup withholding.

If you give the requester your correct TIN, make the proper certifications, and report all your taxable interest and dividends on your tax return, payments you receive will not be subject to backup withholding. **Payments you receive will be subject to backup withholding if:**

1. You do not furnish your TIN to the requester, or
2. You do not certify your TIN when required (see the Part III instructions on page 2 for details), or
3. The IRS tells the requester that you furnished an incorrect TIN, or
4. The IRS tells you that you are subject to backup withholding because you did not report all your interest and dividends on your tax return (for reportable interest and dividends only), or
5. You do not certify to the requester that you are not subject to backup withholding under 4 above (for reportable interest and dividend accounts opened after 1983 only).

Certain payees and payments are exempt from backup withholding. See the Part II instructions and the separate **Instructions for the Requester of Form W-9.**

Penalties

Failure to furnish TIN. If you fail to furnish your correct TIN to a requester, you are subject to a penalty of $50 for each such failure unless your failure is due to reasonable cause and not to willful neglect.

Civil penalty for false information with respect to withholding. If you make a false statement with no reasonable basis that results in no backup withholding, you are subject to a $500 penalty.

Criminal penalty for falsifying information. Willfully falsifying certifications or affirmations may subject you to criminal penalties including fines and/or imprisonment.

Misuse of TINs. If the requester discloses or uses TINs in violation of Federal law, the requester may be subject to civil and criminal penalties.

ENTERGY-KOCH TRADING, LP

CERTIFICATE OF RESOLUTIONS
of
ENTERGY-KOCH, LP

WHEREAS, Entergy-Koch Trading, LP, a Delaware limited partnership, desires to establish contractual relationships with counterparties who may require credit support in the form of a guaranty from its parent company, Entergy-Koch, LP, a Delaware limited partnership; and

WHEREAS, Entergy-Koch, LP (the "Partnership"), as guarantor, intends to execute and deliver guarantees and/or other credit support documents on behalf of its subsidiary, Entergy-Koch Trading, LP; and

WHEREAS, pursuant to the Delaware Revised Uniform Limited Partnership Act, "a limited partnership shall possess and may exercise all the powers and privileges granted by its partnership agreement or by any other law, together with any powers incidental thereto, including such powers and privileges as are necessary or convenient to the conduct, promotion or attainment of the business, purposes or activities of the limited partnership. A general partner of a limited partnership has the power and authority to delegate its rights and powers to manage and control the business and affairs of the limited partnership, including to delegate to agents, officers, and employees of the general partner or the limited partnership, and to delegate by a management agreement or another agreement with, or otherwise to, other persons. Unless otherwise provided in the partnership agreement, such delegation by a general partner of the limited partnership shall not cause the general partner to cease to be a general partner of the limited partnership"; and

WHEREAS, the Agreement of Limited Partnership of Entergy-Koch, LP provides that "under the direction of the General Partner, the day-to-day activities of the Partnership shall be conducted on its behalf by the Officers, who shall be agents of the Partnership. The Officers shall be responsible for implementing the decisions of the General Partner and, subject to the policies and limitations established by the General Partner, for conducting the day-to-day activities of the Partnership as determined by the General Partner. The Partnership shall have the power to do any and all acts necessary, appropriate, proper, advisable, incidental or convenient to or in furtherance of the purposes of the Partnership and its Subsidiaries, and shall have, without limitation, any and all powers that may be exercised on behalf of the Partnership by the General Partner".

NOW, THEREFORE, BE IT RESOLVED, that Entergy-Koch, LP, as guarantor, is hereby directed, fully empowered and authorized to execute and deliver guarantees and/or other credit support documents in favor of counterparties on behalf of its subsidiary, Entergy-Koch Trading, LP; and

BE IT FURTHER RESOLVED, that the chief executive officer, the president or the chief financial officer of Entergy-Koch, LP is hereby directed, fully empowered and authorized, in the name of Entergy-Koch, LP, to execute guarantees and/or other credit support documents on behalf of Entergy-Koch Trading, LP.

I, Beverly McGinnis, Assistant Secretary, do hereby certify that the foregoing is a full, true and correct copy of the resolutions of the Board of Directors of EKLP, LLC, the general partner of Entergy-Koch, LP, approved and adopted at a meeting held on February 20, 2001. I further certify that the said resolutions are still in full force and effect and have not been amended or revoked.

IN WITNESS WHEREOF, I have hereunto set my hand and the seal of Entergy-Koch, LP this 8th day of January, 2004.

ENTERGY-KOCH, LP
SEAL
DELAWARE

Beverly McGinnis
Assistant Secretary
ENTERGY-KOCH, LP

Document Name: EKLP IncumbCertforEKT,LP
Document #: 137622 v2

ENTERGY-KOCH TRADING, LP

Incumbency Certificate
of
ENTERGY-KOCH, LP

I, the undersigned, hereby certify that I am the duly elected and qualified Assistant Secretary of Entergy-Koch, LP, a Delaware limited partnership and parent company of Entergy-Koch Trading, LP, a Delaware limited partnership (the "Company").

I further certify that EKLP, LLC, a Delaware limited liability company, is the General Partner of Entergy-Koch, LP.

WHEREAS, Entergy-Koch, LP, as guarantor, intends to execute and deliver guarantees and/or other credit support documents in favor of counterparties on behalf of its subsidiary, Entergy-Koch Trading, LP.

NOW, THEREFORE, BE IT RESOLVED, that Entergy-Koch, LP, as guarantor, is hereby authorized, directed and empowered to execute and deliver guarantees and/or other credit support documents in favor of counterparties on behalf of Entergy-Koch Trading, LP; and

BE IT RESOLVED, that the chief executive officer, the president, or the chief financial officer of Entergy-Koch, LP is hereby authorized, directed and empowered, in the name of Entergy-Koch, LP, to execute and deliver guarantees and/or other credit support documents in favor of counterparties on behalf of Entergy-Koch Trading, LP.

I further certify that the foregoing is a full, true and correct copy of the resolutions of the Board of Directors of EKLP, LLC, the general partner of Entergy-Koch, LP, the parent company of Entergy-Koch Trading, LP. I further certify that the said resolutions are still in full force and effect and have not been amended or revoked and that the signature set forth by the individual's typed name is the true and genuine signature of said officer:

Kyle Vann, Chief Executive Officer	KV
David Sobotka, President	[signature]
Dennis Albrecht, Ex. Vice Pres./CFO	Dennis Albrecht

MGL Legal

IN WITNESS WHEREOF, I have hereunto set my hand and the seal of Entergy-Koch, LP, this 8h day of January, 2004.

ENTERGY-KOCH, LP SEAL DELAWARE

Beverly McGinnis
Assistant Secretary

Document Name: EKLP IncumbCertforEKT,LP
Document #: 137622 v2

ENTERGY-KOCH TRADING, LP

INCUMBENCY CERTIFICATE

I, the undersigned, hereby certify that I am the duly elected and qualified Assistant Secretary of EKT, LLC ("General Partner"), a Delaware limited liability company and general partner of Entergy-Koch Trading, LP ("Company"), a Delaware limited partnership.

WHEREAS, Entergy-Koch Trading, LP, is authorized to enter into agreements for the purposes of the purchase and sale of electricity, and/or electricity transmission agreements, natural gas and GISB agreements, natural gas transportation agreements, SO_2 Emissions, ISDA agreements, Cross Commodity Netting agreements, Letters of Credit, Information Technology/Operational Contracts, and any transactions in connection with or related thereto, or other similar documents in the name of the Company.

NOW THEREFORE, the President, any Vice President, and any Authorized Signatory of the Company intends to execute and deliver agreements for such purposes.

RESOLVED, that the President, any Vice President, and any Authorized Signatory of the Company is hereby authorized, directed and empowered to execute and deliver agreements regarding the purchase and sale of electricity, and/or electricity transmission agreements, natural gas and GISB agreements, natural gas transportation agreements, SO_2 Emissions, ISDA agreements, Cross Commodity Netting agreements, Letters of Credit, Information Technology/Operational Contracts, and any transactions in connection with or related thereto, or other similar documents in the name of the Company.

James Jeffery Searle, President

Richard H. Jefferis, Jr., Sr. Vice President

David Silbert, Vice President

David G. Goodman, Director of Power

Patrick Bergin, Director of Basis & Physical Gas Trading

W. Kyle Dickard, Director of Market Strategy

John Mueller, Director of Gas Asset Optimization

Matthew J. Therrell, Director of Financial Gas Trading

I further certify that the foregoing is a full true and correct copy of the resolutions of the Board of Directors of the general partner, EKLP, LLC, of Entergy-Koch, LP, the parent company of Entergy-Koch Trading, LP. I further certify that the said resolutions are still in full force and effect and have not been amended or revoked and that the signature set forth by the individual's typed name is the true and genuine signature of said individual.

IN WITNESS WHEREOF, I have hereunto set my hand and the seal of the Company this 8th day of January, 2002.

EKT, LLC
CORPORATE
SEAL
DELAWARE

Entergy-Koch Trading, LP

By: **EKT, LLC**
Its General Partner

Beverly McGinnis

Beverly McGinnis
Assistant Secretary

Document Name:EKT/IncumbCertifNewPres&Signatories
Document #: 137644

COMMERCIAL PAPER PLACEMENT AGENCY AGREEMENT, dated as of November 1, 1999, among **KEYSPAN CORPORATION, doing business as KeySpan Energy**, a New York corporation (the "Issuer"), **MERRILL LYNCH MONEY MARKETS INC., as placement agent for Notes with maturities up to 270 days, and MERRILL LYNCH, PIERCE, FENNER & SMITH INCORPORATED, as placement agent for Notes with maturities over 270 days up to 364 days**, each a Delaware corporation (collectively the "Placement Agent").

The Issuer intends to issue short-term notes pursuant to Section 4(2) of the Securities Act of 1933, as amended (the "1933 Act"), and Rule 506 thereunder and desires to enter into this Agreement with the Placement Agent in order to provide for the offer and sale of such notes in the manner described herein.

The parties hereto, in consideration of the premises and mutual covenants herein contained, agree as follows:

SECTION 1. Definitions

"Business Day" shall mean any day other than a Saturday or Sunday or a day when banks are authorized or required by law to close in New York City.

"Company Information" shall mean the Private Placement Memorandum (defined below), together with, to the extent applicable, information provided by the Issuer pursuant to Section 5(b) hereof.

"Dealer Information" shall mean the information concerning the Placement Agent and provided by the Placement Agent in writing expressly for inclusion in the Private Placement Memorandum.

"DTC" shall mean the Depository Trust Company.

"Exchange Act" shall mean the Securities Exchange Act of 1934, as amended

"Institutional Accredited Investor" shall mean an institutional investor that is reasonably believed to qualify as an "accredited investor" as defined in Rule 501(a) under the 1933 Act.

"Issuing and Paying Agent" shall mean The Chase Manhattan Bank, the issuing and paying agent under the Issuing and Paying Agency Agreement, or any successor thereto.

"Issuing and Paying Agency Agreement" shall mean the issuing and paying agency agreement, dated as of October, 1999, between the Issuer and the Issuing and Paying Agent, as the same may from time to time be amended.

"Notes" shall mean short-term promissory notes of the Issuer, — represented by one or more master notes substantially in the form of the Annex — to the Issuing and Paying Agency Agreement, issued by the Issuer from time to time pursuant to the Issuing and Paying Agency Agreement.

"Offering Materials" shall mean the offering materials concerning the Issuer contemplated by Section 5 hereof, and such offering materials as from time to time revised or supplemented.

"Private Placement Memorandum" shall mean the private placement memorandum with respect to the offer and sale of the Notes (including materials referred to therein or incorporated by reference therein), prepared in accordance with Section 5 hereof and provided to purchasers or prospective purchasers of the Notes, and all amendments and supplements thereto which may be prepared from time to time in accordance with this Agreement.

"Person" shall mean an individual, a corporation, a partnership, a trust, an association or any other entity.

"Qualified Institutional Buyer" shall have the meaning assigned to that term in Rule 144A

"Rule 144A" shall mean Rule 144A under the 1933 Act.

"SEC" shall mean the U.S. Securities and Exchange Commission, or any successor thereto

SECTION 2. Issuance and Placement of Commercial Paper Notes

2. (a) The Issuer hereby appoints the Placement Agent to act as the Issuer's placement agent in connection with the sale of the Notes in accordance with the terms hereof, and the Placement Agent hereby accepts such appointment. While (i) the Issuer has and shall have no obligation to permit the Placement Agent to purchase any Notes for its own account or to arrange for the sale of the Notes and (ii) the Placement Agent has and shall have no obligation to purchase any Notes for the Placement Agent's own account or to arrange for the sale of Notes, the parties agree that, as to any and all Notes which the Placement Agent may purchase or the sale of which the Placement Agent may arrange, such Notes will be purchased or sold by the Placement Agent in reliance on, among other things, the agreements, representations, warranties and covenants of the Issuer contained herein and on the terms and conditions and in the manner provided for herein. Without limiting the generality of the foregoing, the Issuer agrees that the Issuer will not engage any person or party to assist in the placement of the Notes other than a placement agent that has executed a placement agreement with the Issuer which agreement is substantially in the form hereof and that, without the prior written consent of the Placement Agent, the Issuer shall not permit to become effective any amendment, supplement, waiver or consent to or under such placement agreement.

(b) If the Issuer and the Placement Agent shall agree on the terms of the purchase of any Note by the Placement Agent or the sale of any Note arranged by the Placement Agent (including, but not limited to, agreement with respect to the date of issue, purchase price, principal amount, maturity and interest rate (in the case of interest-bearing Notes) or discount rate thereof (in the case of Notes issued on a discount basis), and appropriate compensation for the Placement Agent's services hereunder) pursuant to this Agreement, the Placement Agent shall confirm the terms of each such agreement promptly to the Issuer in the Placement Agent's customary form, the Issuer shall cause such Note to be issued and delivered in accordance with the terms of the Issuing and Paying Agency Agreement, and payment for such Note shall be made in accordance with such Agreement. The authentication and delivery of such Note by the Issuing and Paying Agent shall constitute the issuance of such Note by the Issuer. The Issuer shall deliver Notes signed by the Issuer to the Issuing and Paying Agent, and instructions shall be delivered to the Issuing and Paying Agent to complete, authenticate and deliver such Notes in the manner prescribed in the Issuing and Paying Agency Agreement. The Placement Agent shall be entitled to compensation at such rates and paid in such manner as the Issuer and the Placement Agent shall from time to time agree upon and to reimbursement for the Placement Agent's out-of-pocket costs and expenses, including, but not limited to, fees and disbursements of counsel, in connection with the preparation of this Agreement and the transactions contemplated hereby.

(c) The Notes shall be issued in book-entry form only and shall be represented by one or more master notes registered in the name of a nominee of DTC and recorded in the book-entry system maintained by DTC. The Notes may be issued either at a discount or as interest-bearing obligations with interest payable at maturity in a stated amount.

(d) Each Note purchased by, or the sale of which is arranged through, the Placement Agent hereunder shall (i) have a face amount of $250,000, or an integral multiple of $1,000 in excess thereof, (ii) have a maturity which is a Business Day not later than the 364th day next succeeding such Note's date of issuance and (iii) not contain any provision for extension, renewal or automatic "rollover."

2.2 <u>Offers, Sales and Resales of Notes</u>

All offers and sales of the Notes by the Issuer shall be effected pursuant to the exemption from the registration requirements of the 1933 Act provided by Section 4(2) thereof, which exempts transactions by an issuer not involving any public offering. Offers and sales of the Notes by the Issuer through the Placement Agent acting as agent for the Issuer shall be made in accordance with Rule 506 under the 1933 Act. Notes may be resold or otherwise transferred by the holders thereof only if the Notes are registered under the 1933 Act or if any exemption (including, but not limited to, the exemption afforded by Rule 144A) from the registration requirements of the 1933 Act is available, <u>provided</u>, <u>however</u>, that the Issuer shall have no obligation to register the Notes under the 1933 Act and has no intention of doing so at any time in the future.

The Placement Agent (only with respect to offers and sales made by it as agent for the Issuer and reoffers and subsequent resales or other transfers made by or through the Placement Agent) and the Issuer hereby establish and agree to observe the following procedures in connection with offers, sales and subsequent resales or other transfers of the Notes:

(a) The Issuer hereby confirms to the Placement Agent that within the preceding six months neither the Issuer nor any person other than the Placement Agent acting on behalf of the Issuer has offered or sold any Notes, or any substantially similar security of the Issuer, except as described in Section 1,1(a), to, or solicited offers to buy any such security from, any person other than the Placement Agent. The Issuer also agrees that, as long as the Notes are being offered for sale by the Placement Agent as contemplated hereby and until at least six months after the offer of Notes hereunder has been terminated, neither the Issuer nor any person other than the Placement Agent (except as contemplated by Section 1.1(a) hereof) will offer the Notes or any substantially similar security of the Issuer for sale to, or solicit offers to buy any such security from, any person other than the Placement Agent except with the prior written consent of the Placement Agent, it being understood that such agreement is made with a view to bringing the offer and sale of the Notes within the exemption provided by Section 4(2) of the 1933 Act and Rule 506 thereunder and shall survive any termination of this Agreement.

(b) Offers and sales of the Notes shall be made only to the following types of investors; (i) Institutional Accredited Investors (including, but not limited to, a bank, as defined in Section 3(a)(2) of the 1933 Act, or a savings and loan association or other institution, as defined in Section 3(a)(5)(A) of the 1933 Act, whether acting in its individual or fiduciary capacity, provided that, if it is acting in a fiduciary capacity, it has sole investment discretion with respect to any account for which it is purchasing a Note), (ii) fiduciaries or agents (other than U.S. banks or savings and loan associations of the type described in clause (i) of this sentence) that will be purchasing Notes for one or more accounts, each of which is an Institutional Accredited Investor, and (iii) investors reasonably believed to be Qualified Institutional Buyers.

(c) Resales and other transfers of the Notes by the holders thereof shall be made only to the Issuer or to Institutional Accredited Investors or, in the case of Notes resold or otherwise transferred pursuant to Rule 144A, to Qualified Institutional Buyers or, if the Rule 144A resale is made through the Placement Agent, to institutional investors that the Placement Agent reasonably believes to qualify as Qualified Institutional Buyers. The Placement Agent shall not be liable to any person or entity for any resales or other transfers made in violation of the foregoing conditions that are not made by or through the Placement Agent.

(d) The Notes shall be offered only by approaching prospective purchasers on an individual basis. No general solicitation or general advertising shall be used in connection with the offering of the Notes. Without limiting the generality of the foregoing, without the prior written approval of the Placement Agent, the Issuer shall not issue any press release, generate any publicity, allow any "tombstone" or other advertisement to be published, or hold any meeting with securities analysts to the extent that any of these actions relates to the Notes.

(e) No sale of Notes to any one purchaser shall be for less than $250,000 principal amount, and no Note shall be issued in a smaller face amount. If the purchaser is a non-bank fiduciary acting on behalf of others, each person for whom such purchaser is acting must purchase at least $250,000 face amount of Notes.

(f) Each Note shall contain the legend set forth in Exhibit A.

(g) The Placement Agent shall furnish to each purchaser of newly issued Notes a copy of the Private Placement Memorandum, and each amendment or supplement thereto (other than any amendment or supplement that has been completely superseded by a later amendment or supplement), and any additional Offering Materials approved by the Issuer and requested by such purchaser.

(h) For so long as any of the Notes is outstanding and is a "restricted security" within the meaning of Rule 144(a)(3) under the 1933 Act, (i) the Issuer shall cause to be provided to any holder of Notes and any prospective purchaser of the Notes designated by a holder of such Notes, upon the request of such holder or prospective purchaser, the information, if any, required to be provided to such holder or prospective purchaser by Rule 144A(d)(4) and (ii) the Issuer shall update such information from time to time in order to prevent such information from becoming false or misleading and the Issuer shall take such other actions as are necessary to ensure that the safe harbor exemption from the registration requirements of the 1933 Act under Rule 144A is and will be available for resale of the Notes conducted in accordance with Rule 144A.

(i) In the event that any Note offered or to be offered by the Placement Agent would be ineligible for resale under Rule 144A (because such Note is of the same class (within the meaning of Rule 144A) as any other securities of the Issuer which are at such time listed on a national securities exchange registered under Section 6 of the Exchange Act, or quoted in a U.S. automated inter-dealer quotation system), the Issuer shall immediately notify the Placement Agent (by telephone, confirmed in writing) of such fact and shall promptly prepare and deliver to the Placement Agent an amendment or supplement to the Offering Materials describing the Notes that are ineligible, the reason for such ineligibility and any other relevant information relating thereto.

(j) The Issuer agrees promptly from time to time to take such action as the Placement Agent may reasonably request to qualify the Notes for offering and sale under the securities laws of such jurisdictions as the Placement Agent may request and to comply with such laws so as to permit the continuance of sales and resales therein for as long as may be necessary to complete the transactions contemplated hereby, provided that in connection therewith the Issuer shall not be required to qualify as a foreign corporation or to file a general consent to service of process in any jurisdiction other than consent to service of process under such state securities laws The Issuer also agrees to reimburse the Placement Agent for any reasonable fees or costs incurred in so qualifying the Notes.

SECTION 3. Representations and Warranties of the Issuer:

(a) The Issuer represents and warrants as follows:

(i) The Issuer is a duly organized and validly existing corporation in good standing under the laws of New York and has the corporate power and authority to own its property, to carry on its business as presently being conducted, to execute and deliver this Agreement, the Issuing and Paying Agency Agreement, and the Notes, and to perform and observe the conditions hereof and thereof.

(ii) Each of this Agreement and the Issuing and Paying Agency Agreement has been duly and validly authorized, executed and delivered by the Issuer and constitutes the legal, valid and binding agreement of the Issuer enforceable against the Issuer in accordance with their terms, subject to applicable bankruptcy, insolvency and similar laws affecting creditors' rights generally, and subject, as to enforceability, to general principles of equity (regardless of whether enforcement is sought in a proceeding in equity or at law). The issuance and sale of Notes by the Issuer hereunder have been duly and validly authorized by the Issuer and, when delivered by the Issuing and Paying Agent as provided in the Issuing and Paying Agency Agreement, each Note will be the legal, valid and binding obligation of the Issuer enforceable against the Issuer in accordance with their terms, subject to applicable bankruptcy, insolvency and similar laws affecting creditors' rights generally, and subject, as to enforceability, to general principles of equity (regardless of whether enforcement is sought in a proceeding in equity or at law).

Assuming that the Notes are offered and sold in the manner contemplated by the private placement memorandum and Section 2 above, the offer and sale by the Issuer of such Notes will constitute exempt transactions under Section 4(2) of the 1933 Act and Rule 506 thereunder, and, accordingly, registration of the Notes under the 1933 Act will not be required. Qualification of an indenture with respect to the Notes under the Trust Indenture Act of 1939, as amended, will not be required in connection with the offer, issuance, sale or delivery of the Notes.

The Issuer is neither an "investment company" nor a "company controlled by an investment company" within the meaning of the Investment Company Act of 1940, as amended.

(v) No consent or action of, or filing or registration with, any governmental or public regulatory body or authority, including the SEC, is required to authorize, or is otherwise required in connection with, the execution, delivery or performance of this Agreement, the Issuing and Paying Agency Agreement or the Notes, except as may be required by the securities or Blue Sky laws of the various states in connection with the offering and sale of the Notes.

Neither the execution and delivery by the Issuer of any of this Agreement, the Issuing and Paying Agency Agreement and the Notes, nor the fulfillment of or compliance with the terms and provisions hereof or thereof by the Issuer, will (x) result in the creation of imposition of any mortgage, lien, charge or encumbrance of any nature whatsoever upon any of the properties or assets of the Issuer or (y) violate any of the terms of the Issuer's charter documents or by-laws, any credit agreement, indenture or other evidence of indebtedness or any other material contract or instrument to which the Issuer is a party or by which it or its property is bound, or any law or regulation, or to the Issuer's knowledge any order, writ, injunction or decree of any court or governmental instrumentality, to which the Issuer is subject or by which it or its property is bound.

Except as may be disclosed in the Company Information from time to time, of which the Placement Agent has been specifically advised, there are no actions, suits, proceedings, claims or governmental investigations pending, or to the knowledge of the Issuer, threatened against the Issuer or any of its officers or directors or any persons who control the Issuer (within the meaning of Section 15 of the 1933 Act or Section 20 of the Exchange Act) or to which any property of the Issuer is subject, which could in any way result in a material adverse change in the condition (financial or otherwise) of the Issuer, or materially prevent or interfere with, or materially and adversely affect the Issuer's execution, delivery of performance of, any of this Agreement, the Issuing and Paying Agency Agreement and the Notes.

The initial Offering Materials do not, and any amendments or supplements thereto and any subsequent Offering Materials and any amendments or supplements thereto will not, contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements made therein, in light of the circumstances under which they are made, not misleading.

(b) Each issuance of Notes by the issuer shall be deemed a representation and warranty by the Issuer to the Placement Agent, as of the date thereof, that both before and after giving effect to such issuance, (i) the representations and warranties of the Issuer set forth in Section 3(a) hereof remain true and correct on and as of such date as if made on and as of such date (except to the extent such representations and warranties expressly relate solely to an earlier date); (ii) the corporate resolutions and certificate of incumbency referred to in Section 4 hereof remain accurate and in full force and effect; (iii) since the date of the most recent Offering Materials, there has been no material adverse change in the financial condition or operations of the Issuer which has not been disclosed to the Placement Agent in writing; and (iii) the Issuer is not in default of any of its obligations hereunder, under the Issuing and Paying Agency Agreement or under any Note.

SECTION 4. Covenants and Agreements of the Issuer

4. (a) Without the prior written consent of the Placement Agent, the Issuer shall not permit to become effective any amendment, supplement, waiver or consent to or under the Issuing and Paying Agency Agreement. The Issuer shall give to the Placement Agent, at least 60 Business Days prior to the proposed effective date thereof, notice of any proposed amendment, supplement, waiver or consent under the Issuing and Paying Agency Agreement. The Issuer shall provide to the Placement Agent, promptly after the same is executed, a copy of any amendment, supplement or written waiver or consent covered by the notice requirements of this Section 4.1(a). The Issuer further agrees to furnish prior written notice to the Placement Agent, as soon as possible and in any event at least 60 days prior to the effective date thereof, of any proposed resignation, termination or replacement of the Issuing and Paying Agent.

(b) The Issuer shall, whenever there shall occur any change in the Issuer's financial condition or any development or occurrence in relation to the Issuer that would be material to the holders of Notes or potential holders of Notes, promptly, and in any event prior to any subsequent issuance of Notes, notify the Placement Agent (by telephone, confirmed in writing) of such change, development or occurrence.

(c) The Issuer covenants and agrees with the Placement Agent that the Issuer will promptly furnish to the Placement Agent a copy of any notice, report or other information, relating to the Notes delivered to or from rating agencies then rating the Notes.

(d) The Issuer shall not use the proceeds of the sale of the Notes for the purpose of purchasing or carrying securities within the meaning of Regulation T of the Board of Governors of the Federal Reserve System, unless the Issuer gives not less than 10 business days' prior written notice to the Placement Agent of the Issuer's intention to do so and prompt notice of the actual commencement of such use of proceeds. In the event that, after receipt of such a notice, the Placement Agent purchases Notes as principal and does not resell such Notes on the day of such purchase, the Placement Agent shall sell such Notes only to persons it reasonably believes to be Qualified Institutional Buyers or to Qualified Institutional Buyers it reasonably believes are acting for other Qualified Institutional Buyers, in each case pursuant to Rule 144A.

4.2 Conditions Precedent.

At or promptly after the execution of this Agreement, and as conditions precedent to any obligations of the Placement Agent hereunder, there shall have been furnished to the Placement Agent, in form and substance satisfactory to the Placement Agent

(i) an original or photocopy of the executed Issuing and Paying Agency Agreement;

(ii) a certified copy of resolutions duly adopted by the Board of Directors of the Issuer authorizing and approving the transactions contemplated hereby;

a certificate of incumbency showing the officers and other representatives of the Issuer authorized to execute Notes and to give instructions concerning the issuance of Notes;

(iv) an opinion of counsel to the Issuer addressed to the Placement Agent as to the matters set forth in subsections (i)-(vii) of Section 3(a) above and as to such other matters as the Placement Agent shall reasonably request;

(v) a copy of each other opinion of counsel furnished to any Person that may be delivered in connection with the issuance of the Notes, including, but not limited to, any opinion delivered under or relating to the Issuing and Paying Agency Agreement, each of which shall be addressed to the Placement Agent;

true and correct copies of the letters assigning ratings and of all other correspondence to the Issuer from the rating agencies that have assigned a rating to the Notes;

a copy of the Offering Materials, including the Private Placement Memorandum, approved in writing by the Issuer;

(viii) true and correct copies of any documents relating to the Notes executed by the Issuer and DTC; and

in connection with issuance of Notes in book-entry form, a copy of the master note(s) evidencing such Notes.

SECTION 5. Disclosure.

(a) The Issuer understands that, in connection with the offer and sale of the Notes, from time to time offering materials, including a Private Placement Memorandum and any other Company Information approved by the Company for dissemination to purchasers or potential purchasers of the Notes (the "Offering Materials"), will be prepared relating to the Issuer, which may be distributed to the Placement Agent's sales personnel and to purchasers and prospective purchasers of the Notes.

(b) To provide a basis for the preparation of the Offering Materials and to assist in the Placement Agent's ongoing credit review procedures and sale of the Notes, the Issuer agrees to furnish to the Placement Agent, as these items become available, (i) the Issuer's most recent report on Form 10-K filed with the SEC and each report on Form 10-Q or 8-K filed by the Issuer with the SEC since the most recent Form 10-K, (ii) the Issuer's most recent annual audited financial statements and each interim financial statement or report prepared subsequent thereto, if not included in item (i) above, (iii) the Issuer's other publicly available recent reports, including, but not limited to, any publicly available filings or reports provided to their respective shareholders, any national securities exchange or any rating agency, and any information generally supplied in writing to securities analysts, with respect to rating the Notes (iv) any other information or disclosure prepared pursuant to Section 5(f) hereof, and (vi) and any other information or document prepared or approved by the Issuer or its affiliates for dissemination to purchasers or potential purchasers of the Notes. In addition, the Issuer shall provide the Placement Agent with such other information as the Placement Agent may reasonably request for the purpose of its ongoing credit review of the Issuer.

(c) The Issuer recognizes that the accuracy and completeness of the Offering Materials are dependent on the accuracy and completeness of the information obtained by the Placement Agent and, subject to Section 5(d) and Section 6 hereof, the Placement Agent shall not be responsible for any inaccuracy in any Offering Materials.

(d) The Placement Agent agrees that prior to the distribution of any Offering Materials the Placement Agent will provide the Issuer with a copy thereof for the Issuer's approval. The Issuer agrees to notify the Placement Agent in writing within seven (7) days of the Issuer's approval or disapproval of any Offering Materials submitted to the Issuer for review. Any approval by the Issuer shall be deemed to be a representation by the Issuer that the Offering Materials (excluding any information furnished by the Placement Agent expressly for inclusion therein, as set forth in the

Dealer Information) so approved does not contain an untrue statement of a material fact nor omit to state a material fact necessary in order to make the statements therein, in light of the circumstances under which they are made, not misleading.

(e) The Issuer represents and warrants to the Placement Agent that the financial statements of the Issuer delivered or to be delivered to the Placement Agent in accordance with this Section 5 are or will be in accordance with generally accepted accounting principles and practices in effect in the United States on the date such statements were or will be prepared and fairly do or will present the financial condition and operations of the Issuer at such date and the results of the Issuer's operations for the period then ended.

(f) The Issuer further agrees to notify the Placement Agent promptly upon the occurrence of (i) any event that would render any fact contained in the Issuer's most recent financial reports, as submitted to the Placement Agent, untrue or misleading, or (ii) any event relating to or affecting the Issuer that would cause the Offering Materials then in use to include an untrue statement of material fact or to omit to state a material fact necessary in order to make the statements contained therein, in light of the circumstances under which they were made, not misleading. In such event, the Issuer agrees to supply the Placement Agent promptly with such information as will correct such untrue or misleading statement or such omission.

SECTION 6. Indemnification.

(a) The Issuer will indemnify and hold harmless the Dealer, each individual, corporation, partnership, trust, association or other entity controlling the Dealer, any affiliate of the Dealer or any such controlling entity and their respective directors, officers or employees (hereinafter the "Indemnitees") against any and all liabilities, penalties, suits, causes of action, losses, damages, claims, costs and expenses (including, without limitation reasonable fees and disbursements of counsel) or judgments of whatever kind or nature (each a "Claim"), imposed upon, incurred by or asserted against the Indemnitees arising out of or based upon (i) any allegation that the Private Placement Memorandum, the Company Information or any information provided by the Issuer to the Dealer included (as of any relevant time) or includes an untrue statement of a material fact or omitted (as of any relevant time) or omits to state any material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading or (ii) arising out of or based upon the breach by the Issuer of any agreement, covenant or representation made in or pursuant to this Agreement. This indemnification shall not apply to the extent that the Claim arises out of or is based upon Dealer Information.

(b) Promptly after receipt by an Indemnified Person under this Section 6 of notice of any claim or the commencement of any action, the Indemnified Person shall, if a claim in respect thereof is to be made against the Issuer under this Section 6, notify the Issuer in writing of the claim or the commencement of that action; provided, however, that the failure to notify the Issuer shall not relieve it from any liability that the Issuer may have under this Section 6 except up to the extent of any factual and material prejudice suffered by the Issuer as a result of such failure; and, provided, further, that in no event shall the failure to notify the Issuer relieve it from any liability that the Issuer may have to an Indemnified Person otherwise than under this Section 6. If any such claim or action shall be brought against an Indemnified Person, and notifies the Issuer thereof, the Issuer shall be entitled to participate therein and, to the extent that the Issuer wishes, to assume the defense thereof with counsel reasonably satisfactory to the Indemnified Person. After notice from the Issuer to the Indemnified Person of the Issuer's election to assume the defense of such claim or action, the Issuer shall not be liable to the Indemnified Person under this Section 6 for any legal or other expenses subsequently incurred by the Indemnified Person in connection with the defense thereof other than reasonable costs of investigation. The Issuer shall not be liable for any settlement of any such action effected without the Issuer's written consent (which consent shall not be unreasonably withheld) but, if settled with the Issuer's written consent or if there is final judgment for the plaintiff in any such action, the Issuer agrees to indemnify and hold harmless any Indemnified Person from and against any loss or liability by reason of such settlement or judgment.

(c) In order to provide for just and equitable contribution in circumstances in which the indemnification provided for in this Section 6 is held to be unavailable or insufficient to hold harmless the Indemnitees, although applicable in accordance with the terms of this Section 6, the Issuer shall contribute to the aggregate costs incurred by any Dealer in connection with any Claim in the proportion of the respective economic interests of the Issuer and such Dealer; provided, however, that such contribution by the Issuer shall be in an amount such that the aggregate costs incurred by such Dealer do not exceed the aggregate of the commissions and fees earned by such Dealer hereunder with respect to the issue or issues of Notes to which such Claim relates. The respective economic interests shall be calculated by reference to the aggregate proceeds to the Issuer of the Notes issued hereunder and the aggregate commissions and fees earned by such Dealer hereunder.

(d) The obligations of the Issuer in this Section 6 are in addition to any other liability that the Issuer may otherwise have.

(e) The provisions of this Section 6 shall survive the termination of this Agreement.

SECTION 7. Choice of Forum

The Issuer agrees that any suit, action or proceeding brought by the Issuer against the Placement Agent in connection with or arising out of this Agreement, any agreement, instrument or document entered into in connection with this Agreement, or the offer and sale of the Notes shall be brought solely in the Federal courts located in the Borough of Manhattan or the courts of the State of New York located in the Borough of Manhattan.

SECTION 8. Notices

All notices required under the terms and provisions hereof shall be in writing, delivered by hand, by mail (postage prepaid), or by telex, telecopier or telegram, and any such notice shall be effective when received at the address specified below.

If to the Issuer.	If to the Placement Agent:
Keyspan Energy 1 Metrotech Center Brooklyn, NY 11201-3850 Attention: Timothy P. Kiernan Fax No.: 718-643-1341	Merrill Lynch Money Markets Inc. World Financial Center-North Tower New York, New York 10281-1315 Attention: Product Management-CP Fax No.: (212) 449-2234

or, if to any of the foregoing parties or their successors, at such other address as such party or successor may designate from time to time by notice duly given in accordance with the terms of this Section 10 to the other party hereto.

SECTION 9. Governing Law.

THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK, WITHOUT REGARD TO ITS CONFLICT OF LAWS PROVISIONS.

SECTION 10. Entire Agreement.

This Agreement constitutes the entire agreement between the parties hereto with respect to the matters covered hereby and supersedes all prior agreements and understandings between the parties.

SECTION 11. Amendment and Termination; Successors; Counterparts.

(a) The terms of this Agreement shall not be waived, altered, modified, amended or supplemented in any manner whatsoever except by written instrument signed by both parties hereto. The Issuer or the Placement Agent may terminate this Agreement upon at least 30 days' written notice to the other, provided that such termination shall not affect the obligations of the parties hereunder with respect to Notes unpaid at the time of such termination or with respect to actions or events occurring prior to such termination.

(b) This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns; provided, however, that the Issuer may not assign, either in whole or in part, any of its rights or obligations under this Agreement without the prior written consent of the Placement Agent, and any such assignment without such consent shall be null and void. The Placement Agent may assign and transfer, either in whole or in part, any of its rights or obligations under this Agreement to any affiliate of the Placement Agent, upon at least 30 days' prior written notice to the Issuer.

(c) This Agreement may be executed in several counterparts, each of which shall be deemed an original hereof.

SECTION 12. Captions

The captions in this Agreement are for convenience of reference only and shall not define or limit any of the terms or provisions hereof.

SECTION 13. Severability of Provisions

Any provision of this Agreement which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof or affecting the validity of such provisions in any other jurisdiction.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed as of the date and year first above written.

KEYSPAN CORPORATION

By: ______________________
Name: Robert R [illegible]rek
Title: Vice President, Secretary & Treasure

MERRILL LYNCH MONEY MARKETS INC.

By: ______________________
Name: K. Carter Harris
Title: Senior Vice President

MERRILL LYNCH, PIERCE, FENNER & SMITH INCORPORATED

By: ______________________
Name: K. Carter Harris
Title: Senior Vice President

EXECUTION COPY

$920,000,000

CREDIT AGREEMENT

among

KEYSPAN CORPORATION,
as Borrower,

The Several Lenders
from Time to Time Parties Hereto,

The Royal Bank of Scotland plc
and
Citibank, N.A.,
as Co-Syndication Agents,

The Bank of New York
and
The Bank of Nova Scotia,
as Co-Documentation Agents,

and

JPMORGAN CHASE BANK, N.A.,
as Administrative Agent

Dated as of June 24, 2005

J.P. MORGAN SECURITIES INC.,
Lead Arranger and Bookrunner

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SCHEDULES:

EXHIBITS:

CREDIT AGREEMENT, dated as of June 24, 2005, among KEYSPAN CORPORATION, a New York corporation (the "Borrower"), the several banks and other financial institutions or entities from time to time parties to this Agreement (the "Lenders"), THE ROYAL BANK OF SCOTLAND PLC and CITIBANK, N.A., as co-syndication agents (in such capacity, the "Co-Syndication Agents"), THE BANK OF NEW YORK and THE BANK OF NOVA SCOTIA, as co-documentation agents (in such capacity, the "Co-Documentation Agents"), and JPMORGAN CHASE BANK, N.A., as administrative agent.

The parties hereto hereby agree as follows:

SECTION 1 DEFINITIONS

1.1 Defined Terms. As used in this Agreement, the terms listed in this Section 1.1 shall have the respective meanings set forth in this Section 1.1.

"2004 Credit Agreement": the five-year credit agreement, dated as of June 30, 2004, as amended and restated as of June 24, 2005, among the Borrower, the several banks and other financial institutions or entities from time to time parties thereto, The Royal Bank of Scotland plc and Citibank, N.A., as syndication agents, The Bank of New York and The Bank of Nova Scotia, as co-documentation agents, and the Administrative Agent, as further amended, supplemented or otherwise modified from time to time.

"ABR": for any day, a rate per annum (rounded upwards, if necessary, to the next 1/16 of 1%) equal to the greatest of (a) the Prime Rate in effect on such day, (b) the Base CD Rate in effect on such day plus 1% and (c) the Federal Funds Effective Rate in effect on such day plus ½ of 1%. For purposes hereof: "Prime Rate" shall mean the rate of interest per annum publicly announced from time to time by the Reference Lender as its prime rate in effect at its principal office in New York City (the Prime Rate not being intended to be the lowest rate of interest charged by the Reference Lender in connection with extensions of credit to debtors); "Base CD Rate" shall mean the sum of (a) the product of (i) the Three-Month Secondary CD Rate and (ii) a fraction, the numerator of which is one and the denominator of which is one minus the C/D Reserve Percentage and (b) the C/D Assessment Rate; and "Three-Month Secondary CD Rate" shall mean, for any day, the secondary market rate for three-month certificates of deposit reported as being in effect on such day (or, if such day shall not be a Business Day, the next preceding Business Day) by the Board through the public information telephone line of the Federal Reserve Bank of New York (which rate will, under the current practices of the Board, be published in Federal Reserve Statistical Release H.15(519) during the week following such day), or, if such rate shall not be so reported on such day or such next preceding Business Day, the average of the secondary market quotations for three-month certificates of deposit of major money center banks in New York City received at approximately 10:00 A.M., New York City time, on such day (or, if such day shall not be a Business Day, on the next preceding Business Day) by the Reference Lender from three New York City negotiable certificate of deposit dealers of recognized standing selected by it. Any change in the ABR due to a change in the Prime Rate, the Three-Month Secondary CD Rate or the Federal Funds Effective Rate shall be effective as of the opening of business on the effective day of such change in the Prime Rate, the Three-Month Secondary CD Rate or the Federal Funds Effective Rate, respectively.

"Act": as defined in Section 9.16.

"ABR Loans": Loans the rate of interest applicable to which is based upon the ABR.

"Administrative Agent": JPMorgan Chase Bank, together with its affiliates, as the administrative agent for the Lenders under this Agreement and the other Loan Documents, together with any of its successors.

"Affiliate": as to any Person, any other Person that, directly or indirectly, is in control of, is controlled by, or is under common control with, such Person. For purposes of this definition, "control" of a Person means the power, directly or indirectly, either to (a) vote 10% or more of the securities having ordinary voting power for the election of directors (or persons performing similar functions) of such Person or (b) direct or cause the direction of the management and policies of such Person, whether by contract or otherwise.

"Aggregate Exposure": with respect to any Lender at any time, the amount of such Lender's Commitments then in effect or, if the Commitments have been terminated, the amount of such Lender's Loans then outstanding.

"Aggregate Exposure Percentage": with respect to any Lender at any time, the ratio (expressed as a percentage) of such Lender's Aggregate Exposure at such time to the Aggregate Exposure of all Lenders at such time.

"Agreement": this Credit Agreement, as amended, supplemented or otherwise modified from time to time.

"Applicable Margin": for each Type of Loan, the rate per annum set forth under the relevant column heading below which corresponds with the most current rating of the Borrower's senior unsecured long-term debt issued by S&P and Moody's, respectively; provided that, through the Termination Date, for each day the aggregate principal amount of the sum of (a) Loans outstanding under this Agreement and (b) Loans (as such term is defined in the 2004 Credit Agreement) outstanding under the 2004 Credit Agreement is greater than the amount equal to 50% of the sum of (x) the Total Commitments under this Agreement and (y) the Total Commitments (as such term is defined in the 2004 Credit Agreement) outstanding under the 2004 Credit Agreement, the Applicable Margin then in effect on all borrowings will be increased by 0.100% per annum.

Ratings	Applicable Margin For Eurodollar Loans	Applicable Margin for ABR Loans
A+/A1	0.135%	0.000%
A/A2	0.180%	0.000%
A-/A3	0.270%	0.000%
BBB+/Baa1	0.350%	0.000%

Ratings	Applicable Margin For Eurodollar Loans	Applicable Margin for ABR Loans
BBB/Baa2	0.425%	0.000%
BBB-/Baa3	0.575%	0.000%
≤BB+/Ba1	0.875%	0.000%

Changes in the Applicable Margin shall become effective on the date on which S&P, and/or Moody's changes the rating it has issued for the Borrower's senior unsecured long-term debt. In the event of split ratings, the higher of such ratings shall apply. The Borrower may replace one of either S&P or Moody's with Fitch or another rating agency that is satisfactory to the Administrative Agent.

"Approved Fund": with respect to any Lender that is a fund that invests in commercial loans, any other fund that invests in commercial loans and is managed or advised by the same investment advisor as such Lender or by an Affiliate of such investment advisor.

"Assignee": as defined in Section 9.6(c).

"Assignment and Acceptance": an Assignment and Acceptance, substantially in the form of Exhibit B.

"Assignor": as defined in Section 9.6(c).

"Available Commitment": as to any Lender at any time, an amount equal to the excess, if any, of (a) such Lender's Commitment then in effect over (b) such Lender's Loans then outstanding.

"Benefitted Lender": as defined in Section 9.7(a).

"Board": the Board of Governors of the Federal Reserve System of the United States (or any successor).

"Borrower": as defined in the preamble hereto.

"Borrowing Date": any Business Day specified by the Borrower as a date on which the Borrower requests the relevant Lenders to make Loans hereunder.

"Business": as defined in Section 3.17(b).

"Business Day": a day other than a Saturday, Sunday or other day on which commercial banks in New York City are authorized or required by law to close, provided, that with respect to notices and determinations in connection with, and payments of principal and interest on, Eurodollar Loans, such day is also a day for trading by and between banks in Dollar deposits in the interbank eurodollar market.

"Capital Lease Obligations": as to any Person, the obligations of such Person to pay rent or other amounts under any lease of (or other arrangement conveying the right to use) real or personal property, or a combination thereof, which obligations are required to be classified and accounted for as capital leases on a balance sheet of such Person under GAAP and, for the purposes of this Agreement, the amount of such obligations at any time shall be the capitalized amount thereof at such time determined in accordance with GAAP.

"Capital Stock": any and all shares, interests, participations or other equivalents (however designated) of capital stock of a corporation, any and all equivalent ownership interests in a Person (other than a corporation) and any and all warrants, rights or options to purchase any of the foregoing.

"Cash Equivalents": (a) marketable direct obligations issued by, or unconditionally guaranteed by, the United States Government or issued by any agency thereof and backed by the full faith and credit of the United States, in each case maturing within one year from the date of acquisition; (b) certificates of deposit, time deposits, eurodollar time deposits or overnight bank deposits having maturities of six months or less from the date of acquisition issued by any Lender or by any commercial bank organized under the laws of the United States or any state thereof having combined capital and surplus of not less than $500,000,000; (c) commercial paper of an issuer rated at least A-1 by S&P, P-1 by Moody's or A-1 by Fitch, or carrying an equivalent rating by a nationally recognized rating agency, if both of the two named rating agencies cease publishing ratings of commercial paper issuers generally, and maturing within six months from the date of acquisition; (d) repurchase obligations of any Lender or of any commercial bank satisfying the requirements of clause (b) of this definition, having a term of not more than 30 days, with respect to securities issued or fully guaranteed or insured by the United States government; (e) securities with maturities of one year or less from the date of acquisition issued or fully guaranteed by any state, commonwealth or territory of the United States, by any political subdivision or taxing authority of any such state, commonwealth or territory or by any foreign government, the securities of which state, commonwealth, territory, political subdivision, taxing authority or foreign government (as the case may be) are rated at least A by S&P, A by Moody's or A by Fitch; (f) securities with maturities of six months or less from the date of acquisition backed by standby letters of credit issued by any Lender or any commercial bank satisfying the requirements of clause (b) of this definition; or (g) shares of money market mutual or similar funds which invest exclusively in assets satisfying the requirements of clauses (a) through (f) of this definition.

"C/D Assessment Rate": for any day as applied to any ABR Loan, the annual assessment rate in effect on such day that is payable by a member of the Bank Insurance Fund maintained by the Federal Deposit Insurance Corporation (the "FDIC") classified as well-capitalized and within supervisory subgroup "B" (or a comparable successor assessment risk classification) within the meaning of 12 C.F.R. § 327.4 (or any successor provision) to the FDIC (or any successor) for the FDIC's (or such successor's) insuring time deposits at offices of such institution in the United States.

"C/D Reserve Percentage": for any day as applied to any ABR Loan, that percentage (expressed as a decimal) which is in effect on such day, as prescribed by the Board, for determining the maximum reserve requirement for a Depositary Institution (as defined in Regulation D of the Board as in effect from time to time) in respect of new non-personal time deposits in Dollars having a maturity of 30 days or more.

"Closing Date": the date on which the conditions precedent set forth in Section 4.1 shall have been satisfied, which date shall be June 24, 2005.

"<u>Code</u>": the Internal Revenue Code of 1986, as amended from time to time.

"<u>Commitment</u>": as to any Lender, the obligation of such Lender, if any, to make Loans in an aggregate principal amount not to exceed the amount set forth under the heading "Commitment" opposite such Lender's name on Schedule 1.1 or in the Assignment and Acceptance pursuant to which such Lender became a party hereto, as the same may be changed from time to time pursuant to the terms hereof. The original amount of the Total Commitments is $920,000,000.

"<u>Commitment Period</u>": the period from and including the Closing Date to the Termination Date.

"<u>Commonly Controlled Entity</u>": an entity, whether or not incorporated, that is under common control with the Borrower within the meaning of Section 4001 of ERISA or is part of a group that includes the Borrower and that is treated as a single employer under Section 414 of the Code.

"<u>Competitive Loans</u>": a loan made pursuant to Section 2.2.

"<u>Competitive Bid</u>": means an offer by a Lender to make a Competitive Loan in accordance with Section 2.2.

"<u>Competitive Bid Rate</u>": means, with respect to any Competitive Bid, the Margin or Fixed Rate, as applicable, offered by the Lender making such Competitive Bid.

"<u>Competitive Bid Request</u>": means a request by the Borrower for Competitive Bids in accordance with Section. 2.2.

"<u>Confidential Information Memorandum</u>": the Confidential Information Memorandum dated May 2005 and furnished to the Lenders.

"<u>Consolidated Capitalization</u>": at any date, the sum of Consolidated Net Worth and Consolidated Indebtedness.

"<u>Consolidated Indebtedness</u>": at any date, all Indebtedness of the Borrower and its Subsidiaries at such date, determined on a consolidated basis in accordance with GAAP, as reflected on the balance sheet.

"<u>Consolidated Net Worth</u>": at any date, all amounts that would, in conformity with GAAP, be included on a consolidated balance sheet of the Borrower and its Subsidiaries under stockholders' equity at such date.

"<u>Contractual Obligation</u>": as to any Person, any provision of any security issued by such Person or of any agreement, instrument or other undertaking to which such Person is a party or by which it or any of its property is bound.

"<u>Core Gas Distribution Business</u>": the distribution and sale at retail to customers of natural gas in the New York City boroughs of Brooklyn, Queens and Staten Island, the Long Island counties of Nassau and Suffolk, in Massachusetts and in New Hampshire, as such business is conducted by KeySpan Energy Delivery New York, KeySpan Energy Delivery Long Island and KeySpan Energy Delivery New England on the Closing Date.

"Default": any of the events specified in Section 7, whether or not any requirement for the giving of notice, the lapse of time, or both, has been satisfied.

"Disposition": with respect to any property, any sale, lease, sale and leaseback, assignment, conveyance, transfer or other disposition thereof, including the sale of Capital Stock of any Subsidiary owned by the Borrower or any of its Subsidiaries. The terms "Dispose" and "Disposed of" shall have correlative meanings.

"Dollars" and "$": dollars in lawful currency of the United States.

"Environmental Laws": any and all foreign, Federal, state, local or municipal laws, rules, orders, regulations, statutes, ordinances, codes, decrees, requirements of any Governmental Authority or other Requirements of Law (including common law) regulating, relating to or imposing liability or standards of conduct concerning protection of human health or the environment, as now or may at any time hereafter be in effect.

"ERISA": the Employee Retirement Income Security Act of 1974, as amended from time to time.

"Eurocurrency Reserve Requirements": for any day as applied to a Eurodollar Loan, the aggregate (without duplication) of the maximum rates (expressed as a decimal fraction) of reserve requirements in effect on such day (including basic, supplemental, marginal and emergency reserves under any regulations of the Board or other Governmental Authority having jurisdiction with respect thereto) dealing with reserve requirements prescribed for eurocurrency funding (currently referred to as "Eurocurrency Liabilities" in Regulation D of the Board) maintained by a member bank of the Federal Reserve System.

"Eurodollar Base Rate": with respect to each day during each Interest Period pertaining to a Eurodollar Loan, the rate per annum determined on the basis of the rate for deposits in Dollars for a period equal to such Interest Period commencing on the first day of such Interest Period appearing on Page 3750 of the Telerate screen as of 11:00 A.M., London time, two Business Days prior to the beginning of such Interest Period. In the event that such rate does not appear on Page 3750 of the Telerate screen (or otherwise on such screen), the "Eurodollar Base Rate" shall be determined by reference to such other comparable publicly available service for displaying eurodollar rates as may be selected by the Administrative Agent or, in the absence of such availability, by reference to the rate at which the Administrative Agent is offered Dollar deposits at or about 11:00 A.M., New York City time, two Business Days prior to the beginning of such Interest Period in the interbank eurodollar market where its eurodollar and foreign currency and exchange operations are then being conducted for delivery on the first day of such Interest Period for the number of days comprised therein.

"Eurodollar Competitive Loan": a Competitive Loan which bears interest based upon the Eurodollar Rate.

"Eurodollar Loans": Loans the rate of interest applicable to which is based upon the Eurodollar Rate.

"Eurodollar Rate": with respect to each day during each Interest Period pertaining to a Eurodollar Loan, a rate per annum determined for such day in accordance with the following formula (rounded upward to the nearest 1/100th of 1%):

$$\frac{\text{Eurodollar Base Rate}}{1.00 - \text{Eurocurrency Reserve Requirements}}$$

"Eurodollar Tranche": the collective reference to Eurodollar Loans the then current Interest Periods with respect to all of which begin on the same date and end on the same later date (whether or not such Loans shall originally have been made on the same day).

"Event of Default": any of the events specified in Section 7, provided that any requirement for the giving of notice, the lapse of time, or both, has been satisfied.

"Existing Credit Agreement": the credit agreement, dated as of June 27, 2003, among the Borrower, the several lenders from time to time parties thereto, Citibank, N.A., as syndication agent, The Bank of New York and the Royal Bank of Scotland plc, as co-documentation agents, and the Administrative Agent.

"Extending Lender": as defined in Section 2.18.

"Extension Date": as defined in Section 2.18.

"Facility Fee Rate": the rate per annum set forth below which corresponds with the most current rating of the Borrower's senior unsecured long-term debt issued by S&P and Moody's, respectively.

Ratings	Facility Fee
A+/A1	0.065%
A/A2	0.070%
A-/A3	0.080%
BBB+/Baa1	0.100%
BBB/Baa2	0.125%
BBB-/Baa3	0.175%
≤BB+/Ba1	0.250%

Changes in the Facility Fee shall become effective on the date on which S&P and/or Moody's changes the rating it has issued for the Borrower's senior unsecured long-term debt. In the event of split ratings, the higher of such ratings shall apply. The Borrower may replace one of either S&P or Moody's with Fitch or another rating agency that is satisfactory to the Administrative Agent.

"Federal Funds Effective Rate": for any day, the weighted average of the rates on overnight federal funds transactions with members of the Federal Reserve System arranged by federal funds brokers, as published on the next succeeding Business Day by the Federal Reserve Bank of New York, or, if such rate is not so published for any day that is a Business Day, the average of the quotations for the day of such transactions received by the Reference Lender from three federal funds brokers of recognized standing selected by it.

"Fitch": Fitch, Inc. (or any successor thereto).

"Fixed Rate": with respect to a Competitive Loan, the fixed rate of interest per annum specified by the Lender making such Competitive Loan in its related Competitive Bid.

"Fixed Rate Competitive Loan": Competitive Loans which bear a rate of interest equal to the Fixed Rate.

"Funding Office": the office of the Administrative Agent specified in Section 9.2 or such other office as may be specified from time to time by the Administrative Agent as its funding office by written notice to the Borrower and the Lenders.

"GAAP": generally accepted accounting principles in the United States as in effect from time to time, except that for purposes of Section 6.1, GAAP shall be determined on the basis of such principles in effect on the date hereof and consistent with those used in the preparation of the most recent audited financial statements delivered pursuant to Section 5.1(a). In the event that any "Accounting Change" (as defined below) shall occur and such change results in a change in the method of calculation of financial covenants, standards or terms in this Agreement, then the Borrower and the Administrative Agent agree to enter into negotiations in order to amend such provisions of this Agreement so as to equitably reflect such Accounting Changes with the desired result that the criteria for evaluating the Borrower's financial condition shall be the same after such Accounting Changes as if such Accounting Changes had not been made. Until such time as such an amendment shall have been executed and delivered by the Borrower, the Administrative Agent and the Required Lenders, all financial covenants, standards and terms in this Agreement shall continue to be calculated or construed as if such Accounting Changes had not occurred. "Accounting Changes" refers to changes in accounting principles required by the promulgation of any rule, regulation, pronouncement or opinion by the Financial Accounting Standards Board of the American Institute of Certified Public Accountants or, if applicable, the SEC.

"Governmental Authority": any nation or government, any state or other political subdivision thereof, any agency, authority, instrumentality, regulatory body, court, central bank or other entity exercising executive, legislative, judicial, taxing, regulatory or administrative functions of or pertaining to government, any securities exchange and any self-regulatory organization (including the National Association of Insurance Commissioners).

"Guarantee Obligation": as to any Person (the "guaranteeing person"), any obligation of (a) the guaranteeing person or (b) another Person (including any bank under any letter of credit) to induce the creation of which the guaranteeing person has issued a reimbursement, counterindemnity or similar obligation, in either case guaranteeing or in effect guaranteeing any Indebtedness, leases, dividends or other obligations (the "primary obligations") of any other third Person (the "primary obligor") in any manner, whether directly or indirectly, including any obligation of the guaranteeing person, whether or not contingent, (i) to purchase any such primary obligation or any property constituting direct or indirect security therefor, (ii) to advance or supply funds (1) for the purchase or payment of any such primary obligation or (2) to maintain working capital or equity capital of the primary obligor or otherwise to maintain the net worth or solvency of the primary obligor, (iii) to purchase property, securities or services primarily for the purpose of assuring the owner of any such primary obligation of the ability of the primary obligor to make payment of such primary obligation or (iv) otherwise to assure or hold harmless the owner of any such primary obligation against loss in respect thereof; provided, however, that the term Guarantee Obligation shall not include endorsements of instruments for deposit or collection in the ordinary course of business. The amount of any Guarantee Obligation of any guaranteeing person shall be deemed to be the lower of (a) an amount equal to the stated or determinable amount of the primary obligation in respect of which such Guarantee Obligation is made and (b) the maximum amount for which such guaranteeing person may be liable pursuant to the terms of the instrument embodying such Guarantee Obligation, unless such primary obligation and the maximum amount for which such guaranteeing person may be liable are not stated or determinable, in which case the amount of such Guarantee Obligation shall be such guaranteeing person's maximum reasonably anticipated liability in respect thereof as determined by the Borrower in good faith.

"Hedge Agreements": all interest rate swaps, caps or collar agreements or similar arrangements dealing with interest rates or currency exchange rates or the exchange of nominal interest obligations, either generally or under specific contingencies.

"Indebtedness": of any Person at any date, without duplication, (a) all indebtedness of such Person for borrowed money, (b) all obligations of such Person for the deferred purchase price of property or services (other than current trade payables incurred in the ordinary course of such Person's business), (c) all obligations of such Person evidenced by notes, bonds, debentures or other similar instruments, (d) all indebtedness created or arising under any conditional sale or other title retention agreement with respect to property acquired by such Person (even though the rights and remedies of the seller or lender under such agreement in the event of default are limited to repossession or sale of such property), (e) all Capital Lease Obligations of such Person, (f) all obligations of such Person, contingent or otherwise, as an account party under acceptances, letters of credit, surety bonds or similar arrangements, (g) the liquidation value of all preferred Capital Stock of such Person that is redeemable at the option of the holder thereof or that has any mandatory dividend, redemption or other required payment that could be required thereunder prior to the date that is one year after the Termination Date, (h) all Guarantee Obligations of such Person in respect of obligations of the kind referred to in clauses (a) through (g) above (and, in the case of the Borrower and its Subsidiaries, in addition, clause (k) below), (i) all obligations of the kind referred to in clauses (a) through (h) above secured by (or for which the holder of such obligation has an existing right, contingent or otherwise, to be secured by) any Lien on property (including accounts and contract rights) owned by such Person, whether or not such Person has assumed or become liable for the payment of such obligation, (j) for the purposes of Section 7(e) only, all obligations of such Person in respect of Hedge Agreements and (k) in the case of the Borrower and its Subsidiaries, (A) Synthetic Lease Obligations relating to the 2,200 megawatt Ravenswood facility located in New York City and (B) any other Synthetic Lease Obligations of the Borrower or its Subsidiaries individually in excess of $25,000,000; provided that, for the purposes of this Agreement, 20% of the gross proceeds of mandatorily-convertible securities of the Borrower and other similar securities of the Borrower treated as "equity-like hybrid" by ratings agencies (collectively, the "Hybrid Securities") shall be considered Indebtedness and the remaining 80% of such proceeds shall be considered equity, provided that the gross proceeds of Hybrid Securities excluded from Indebtedness does not exceed 10% of Consolidated Capitalization. The Indebtedness of any Person shall include the Indebtedness of any other entity (including any partnership in which such Person is a general partner) to the extent such Person is liable therefor as a result of such Person's ownership interest in or other relationship with such entity, except to the extent the terms of such Indebtedness expressly provide that such Person is not liable therefor.

"Insolvency": with respect to any Multiemployer Plan, the condition that such Plan is insolvent within the meaning of Section 4245 of ERISA.

"Insolvent": pertaining to a condition of Insolvency.

"Intellectual Property": the collective reference to all rights, priorities and privileges relating to intellectual property, whether arising under United States, multinational or foreign laws or otherwise, including copyrights, copyright licenses, patents, patent licenses, trademarks, trademark licenses, technology, know-how and processes, and all rights to sue at law or in equity for any infringement or other impairment thereof, including the right to receive all proceeds and damages therefrom.

"Interest Payment Date": (a) as to any ABR Loan, the last day of each March, June, September and December to occur while such Loan is outstanding and the final maturity date of such Loan, (b) as to any Eurodollar Loan having an Interest Period of three months or less, the last day of such Interest Period, (c) as to any Eurodollar Loan having an Interest Period longer than three months, each day that is three months, or a whole multiple thereof, after the first day of such Interest Period and the last day of such Interest Period (d) as to any Eurodollar Loan, the date of any repayment or prepayment made in respect thereof and (e) as to any Fixed Rate Competitive Loan, the last Business Day of the Interest Period applicable to such Loan as specified and accepted in the applicable Competitive Bid Request and, in the case of a Fixed Rate Competitive Loan with an Interest Period of more than 90 days' duration (unless otherwise specified in the applicable Competitive Bid Request), each Business Day prior to the last Business Day of such Interest Period that occurs at intervals of 90 days' duration after the first Business Day of such Interest Period, and any other dates that are specified in the applicable Competitive Bid Request as interest payment dates with respect to such borrowing.

"Interest Period": (a) as to any Eurodollar Loan, (i) initially, the period commencing on the borrowing or conversion date, as the case may be, with respect to such Eurodollar Loan and ending one, two, three or six months thereafter, as selected by the Borrower in its notice of borrowing or notice of conversion, as the case may be, given with respect thereto; and (ii) thereafter, each period commencing on the last day of the next preceding Interest Period applicable to such Eurodollar Loan and ending one, two, three or six months thereafter, as selected by the Borrower by irrevocable notice to the Administrative Agent not less than three Business Days prior to the last day of the then current Interest Period with respect thereto; provided that, all of the foregoing provisions relating to Interest Periods are subject to the following:

(A) if any Interest Period would otherwise end on a day that is not a Business Day, such Interest Period shall be extended to the next succeeding Business Day unless the result of such extension would be to carry such Interest Period into another calendar month in which event such Interest Period shall end on the immediately preceding Business Day;

(B) the Borrower may not select an Interest Period that would extend beyond the Termination Date;

(C) any Interest Period that begins on the last Business Day of a calendar month (or on a day for which there is no numerically corresponding day in the calendar month at the end of such Interest Period) shall end on the last Business Day of a calendar month; and

(D) the Borrower shall select Interest Periods so as not to require a payment or prepayment of any Eurodollar Loan during an Interest Period for such Loan; and

(b) with respect to any Fixed Rate Competitive Loan, the period (which shall not be less than 7 days or more than five years) commencing on the date of such borrowing and ending on the date specified in the applicable Competitive Bid Request; provided that (i) if any Interest Period would otherwise end on a day that is not a Business Day, such Interest Period shall extend to the next succeeding Business Day and (ii) the Borrower may not select an Interest Period that would extend beyond the Termination Date.

"Lenders": as defined in the preamble hereto.

"Lien": any mortgage, pledge, hypothecation, assignment, deposit arrangement, encumbrance, lien (statutory or other), charge or other security interest or any preference, priority or other security agreement or preferential arrangement of any kind or nature whatsoever (including any conditional sale or other title retention agreement and any capital lease having substantially the same economic effect as any of the foregoing).

"Loans": as defined in Section 2.1(a).

"Loan Documents": this Agreement and the Notes.

"Margin" means, with respect to any Competitive Loan bearing interest at a rate based on the Eurodollar Rate, the marginal rate of interest, if any, to be added to or subtracted from the Eurodollar Rate to determine the rate of interest applicable to such Loan, as specified by the Lender making such Loan in its related Competitive Bid.

"Material Adverse Effect": a material adverse effect on the business, property, operations, condition (financial or otherwise) or prospects of the Borrower and its Subsidiaries taken as a whole or the validity or enforceability of this Agreement or any of the other Loan Documents or the rights or remedies of the Administrative Agent or the Lenders hereunder or thereunder.

"Materials of Environmental Concern": any gasoline or petroleum (including crude oil or any fraction thereof) or petroleum products or any hazardous or toxic substances, materials or wastes, defined or regulated as such in or under any Environmental Law, including asbestos, polychlorinated biphenyls and urea-formaldehyde insulation.

"Multiemployer Plan": a Plan that is a multiemployer plan as defined in Section 4001(a)(3) of ERISA.

"Moody's": Moody's Investors Service, Inc. (or any successor thereto).

"Non-Core Assets": Any assets of the Borrower or any of its Subsidiaries that are not material to the ongoing operations of any of the Borrower's or its Subsidiaries' primary gas distribution or electric services businesses as determined by the Borrower in its reasonable business judgment.

"Non-Excluded Taxes": as defined in Section 2.14(a).

"Non-Extending Lender": as defined in Section 2.18.

"Non-U.S. Lender": as defined in Section 2.14(d).

"Notes": the collective reference to any promissory note evidencing Loans.

"Obligations": the unpaid principal of and interest on (including interest accruing after the maturity of the Loans and interest accruing after the filing of any petition in bankruptcy, or the commencement of any insolvency, reorganization or like proceeding, relating to the Borrower, whether or not a claim for post-filing or post-petition interest is allowed in such proceeding) the Loans and all other obligations and liabilities of the Borrower to the Administrative Agent or to any Lender, whether direct or indirect, absolute or contingent, due or to become due, or now existing or hereafter incurred, which may arise under, out of, or in connection with, this Agreement, any other Loan Document or any other document made, delivered or given in connection herewith or therewith, whether on account of principal, interest, reimbursement obligations, fees, indemnities, costs, expenses (including all fees, charges and disbursements of counsel to the Administrative Agent or to any Lender that are required to be paid by the Borrower pursuant hereto) or otherwise.

"Other Taxes": any and all present or future stamp or documentary taxes or any other excise or property taxes, charges or similar levies arising from any payment made hereunder or from the execution, delivery or enforcement of, or otherwise with respect to, this Agreement or any other Loan Document.

"Participant": as defined in Section 9.6(b).

"PBGC": the Pension Benefit Guaranty Corporation established pursuant to Subtitle A of Title IV of ERISA (or any successor).

"Person": an individual, partnership, corporation, limited liability company, business trust, joint stock company, trust, unincorporated association, joint venture, Governmental Authority or other entity of whatever nature.

"Plan": at a particular time, any employee benefit plan that is covered by ERISA and in respect of which the Borrower or a Commonly Controlled Entity is (or, if such plan were terminated at such time, would under Section 4069 of ERISA be deemed to be) an "employer" as defined in Section 3(5) of ERISA.

"Properties": as defined in Section 3.17(a).

"PUHCA": as defined in Section 3.14.

"Reference Lender": JPMorgan Chase Bank.

"Register": as defined in Section 9.6(d).

"Regulation U": Regulation U of the Board as in effect from time to time.

"Reorganization": with respect to any Multiemployer Plan, the condition that such plan is in reorganization within the meaning of Section 4241 of ERISA.

"Reportable Event": any of the events set forth in Section 4043(b) of ERISA, other than those events as to which the thirty day notice period is waived under subsections .27, .28, .29, .30, .31, .32, .34 or .35 of PBGC Reg. §4043.

"Required Lenders": at any time, the holders of more than 50% of the sum of the Commitments then in effect, provided that (i) for purposes of declaring the Loans to be due and payable, and/or the Commitments to be terminated pursuant to Section 7, and (ii) for all purposes after the Commitments have been terminated, such term shall mean the holders of more than 50% of the Loans outstanding.

"Requirement of Law": as to any Person, the Certificate of Incorporation and By-Laws or other organizational or governing documents of such Person, and any law, treaty, rule or regulation or determination of an arbitrator or a court or other Governmental Authority, in each case applicable to or binding upon such Person or any of its property or to which such Person or any of its property is subject.

"Responsible Officer": the chief executive officer, president, treasurer, secretary or chief financial officer of the Borrower, but in any event, with respect to financial matters, the treasurer or chief financial officer of the Borrower.

"Revolving Facility": the Commitments and the Loans made hereunder.

"Revolving Percentage": as to any Lender at any time, the percentage which such Lender's Commitment then constitutes of the Total Commitments (or, at any time after the Commitments shall have expired or terminated, the percentage which the aggregate principal amount of such Lender's Loans then outstanding constitutes of the aggregate principal amount of the Loans then outstanding.)

"S&P": Standard & Poor's Rating Services, a division of The McGraw-Hill Companies, Inc. (or any successor thereto).

"SEC": the Securities and Exchange Commission, any successor thereto and any analogous Governmental Authority.

"Significant Subsidiary": at any particular time, any Subsidiary and any other Affiliate of the Borrower which is engaged in the Core Gas Distribution Business.

"Single Employer Plan": any Plan that is covered by Title IV of ERISA, but that is not a Multiemployer Plan.

"Solvent": when used with respect to any Person, means that, as of any date of determination, (a) the amount of the "present fair saleable value" of the assets of such Person will, as of such date, exceed the amount of all "liabilities of such Person, contingent or otherwise", as of such date, as such quoted terms are determined in accordance with applicable federal and state laws governing determinations of the insolvency of debtors, (b) the present fair saleable value of the assets of such Person will, as of such date, be greater than the amount that will be required to pay the liability of such Person on its debts as such debts become absolute and matured, (c) such Person will not have, as of such date, an unreasonably small amount of capital with which to conduct its business, and (d) such Person will be able to pay its debts as they mature. For purposes of this definition, (i) "debt" means liability on a "claim", and (ii) "claim" means any (x) right to payment, whether or not such a right is reduced to judgment, liquidated, unliquidated, fixed, contingent, matured, unmatured, disputed, undisputed, legal, equitable, secured or unsecured or (y) right to an equitable remedy for breach of performance if such breach gives rise to a right to payment, whether or not such right to an equitable remedy is reduced to judgment, fixed, contingent, matured or unmatured, disputed, undisputed, secured or unsecured.

"Subsidiary": as to any Person, a corporation, partnership, limited liability company or other entity of which shares of stock or other ownership interests having ordinary voting power (other than stock or such other ownership interests having such power only by reason of the happening of a contingency) to elect a majority of the board of directors or other managers of such corporation, partnership or other entity are at the time owned, or the management of which is otherwise controlled, directly or indirectly through one or more intermediaries, or both, by such Person. Unless otherwise qualified, all references to a "Subsidiary" or to "Subsidiaries" in this Agreement shall refer to a Subsidiary or Subsidiaries of the Borrower.

"Synthetic Lease Obligations": as to any Person, the obligations of such Person to pay rent or other amounts under any lease of (or other arrangement conveying the right to use) real or personal property, or a combination thereof, so long as (i) such obligations are not Capital Lease Obligations and (ii) the asset subject to such lease is a depreciable asset of such Person for U.S. federal income tax purposes; for purposes of this Agreement, the amount of such obligations at any time shall be determined by calculating the purchase price that would be required to be paid by such Person if such Person were to exercise its option to purchase such asset under such lease.

"Termination Date": the five-year anniversary of the Closing Date, as may be extended pursuant to Section 2.18.

"Total Commitments": at any time, the aggregate amount of the Commitments then in effect.

"Transferee": any Assignee or Participant, and, for purposes of Section 9.14, any actual or prospective counterparty (or its advisors) to any securitization, swap or derivative transaction relating to the Borrower, any Subsidiaries, and the Obligations.

"Type": as to any Loan, its nature as an ABR Loan or a Eurodollar Loan.

"United States": the United States of America.

1.2 Other Definitional Provisions. (a) Unless otherwise specified therein, all terms defined in this Agreement shall have the defined meanings when used in the other Loan Documents or any certificate or other document made or delivered pursuant hereto or thereto.

(b) As used herein and in the other Loan Documents, and any certificate or other document made or delivered pursuant hereto or thereto, (i) accounting terms relating to the Borrower and its Subsidiaries not defined in Section 1.1 and accounting terms partly defined in Section 1.1, to the extent not defined, shall have the respective meanings given to them under GAAP, (ii) the words "include", "includes" and "including" shall be deemed to be followed by the phrase "without limitation", (iii) the word "incur" shall be construed to mean incur, create, issue, assume, become liable in respect of or suffer to exist (and the words "incurred" and "incurrence" shall have correlative meanings), and (iv) the words "asset" and "property" shall be construed to have the same meaning and effect and to refer to any and all tangible and intangible assets and properties, including cash, Capital Stock, securities, revenues, accounts, leasehold interests and contract rights.

(c) The words "hereof", "herein" and "hereunder" and words of similar import when used in this Agreement shall refer to this Agreement as a whole and not to any particular provision of this Agreement, and Section, Schedule and Exhibit references are to this Agreement unless otherwise specified.

(d) The meanings given to terms defined herein shall be equally applicable to both the singular and plural forms of such terms.

SECTION 2 AMOUNT AND TERMS OF COMMITMENTS

2.1 Commitments. (a) Subject to the terms and conditions hereof, each Lender severally agrees to make revolving credit loans ("Loans") to the Borrower from time to time during the Commitment Period in an aggregate principal amount at any one time outstanding which does not exceed the amount of such Lender's Commitment. During the Commitment Period the Borrower may use the Commitments by borrowing, prepaying the Loans in whole or in part, and reborrowing, all in accordance with the terms and conditions hereof. The Loans may from time to time be Eurodollar Loans, ABR Loans or Competitive Loans, as determined by the Borrower and notified to the Administrative Agent in accordance with Sections 2.3 and 2.7.

(b) Any Loans outstanding on the Termination Date will mature and be payable on the Termination Date.

2.2 Competitive Bid Procedure. (a) Subject to the terms and conditions set forth herein, from time to time the Borrower may request Competitive Bids and may (but shall not have any obligation to) accept Competitive Bids and borrow Competitive Loans; provided that while Competitive Loans are outstanding, the Available Commitments shall be reduced by the aggregate amount of such Competitive Loans. To request Competitive Bids, the Borrower shall notify the Administrative Agent of such request by telephone, in the case of a Eurodollar Loan, not later than 11:00 a.m., New York City time, four Business Days before the date of the proposed borrowing and, in the case of an ABR Loan, not later than 10:00 a.m., New York City time, one Business Day before the date of the proposed borrowing; provided that the Borrower may submit up to (but not more than) three Competitive Bid Requests on the same day, but a Competitive Bid Request shall not be made within five Business Days after the date of any previous Competitive Bid Request, unless any and all such previous Competitive Bid Requests shall have been withdrawn or all Competitive Bids received in response thereto rejected. Each such telephonic Competitive Bid Request shall be confirmed promptly by hand delivery or telecopy to the Administrative Agent of a written Competitive Bid Request in a form approved by the Administrative Agent and signed by the Borrower. Each such telephonic and written Competitive Bid Request shall specify the following information:

(i) the aggregate amount of the requested Loan;

(ii) the date of such Loan, which shall be a Business Day;

(iii) whether such Loan is to be a Eurodollar Loan or a Fixed Rate Competitive Loan;

(iv) the maturity for such Loan, which shall range from 7 days to five years (but not to extend past the Termination Date); and

(v) the Interest Period, if applicable, for such Loan, which shall be a period contemplated by the definition of the term "Interest Period".

Promptly following receipt of a Competitive Bid Request in accordance with this Section, the Administrative Agent shall notify the Lenders of the details thereof by telecopy, inviting the Lenders to submit Competitive Bids.

(b) Each Lender may (but shall not have any obligation to) make one or more Competitive Bids to the Borrower in response to a Competitive Bid Request. Each Competitive Bid by a Lender must be in a form approved by the Administrative Agent and must be received by the Administrative Agent by telecopy, in the case of a Eurodollar Loan, not later than 9:30 a.m., New York City time, three Business Days before the proposed date of such Competitive Loan, and in the case of an ABR Loan, not later than 9:30 a.m., New York City time, on the proposed date of such Competitive Loan. Competitive Bids that do not conform substantially to the form approved by the Administrative Agent may be rejected by the Administrative Agent, and the Administrative Agent shall notify the applicable Lender as promptly as practicable. Each Competitive Bid shall specify (i) the principal amount (which shall be a minimum of $5,000,000 and an integral multiple of $1,000,000 and which may equal the entire principal amount of the Competitive Loan requested by the Borrower) of the Competitive Loan or Loans that the Lender is willing to make, (ii) the Competitive Bid Rate or Rates at which the Lender is prepared to make such Loan or Loans (expressed as a percentage rate per annum in the form of a decimal to no more than four decimal places) and (iii) the Interest Period applicable to each such Loan and the last day thereof.

(c) The Administrative Agent shall promptly notify the Borrower by telecopy of the Competitive Bid Rate and the principal amount specified in each Competitive Bid and the identity of the Lender that shall have made such Competitive Bid.

(d) Subject only to the provisions of this paragraph, the Borrower may accept or reject any Competitive Bid. The Borrower shall notify the Administrative Agent by telephone, confirmed by telecopy in a form approved by the Administrative Agent, whether and to what extent it has decided to accept or reject each Competitive Bid, in the case of a Eurodollar Loan, not later than 10:30 a.m., New York City time, three Business Days before the proposed date of the Competitive Loan, and in the case of an ABR Loan, not later than 10:30 a.m., New York City time, on the proposed date of the Competitive Loan; provided that (i) the failure of the Borrower to give such notice shall be deemed to be a rejection of each Competitive Bid, (ii) the Borrower shall not accept a Competitive Bid made at a particular Competitive Bid Rate if the Borrower rejects a Competitive Bid made at a lower Competitive Bid Rate, (iii) the aggregate amount of the Competitive Bids accepted by the Borrower shall not exceed the aggregate amount of the requested Competitive Loan specified in the related Competitive Bid Request, (iv) to the extent necessary to comply with clause (iii) above, the Borrower may accept Competitive Bids at the same Competitive Bid Rate in part, which acceptance, in the case of multiple Competitive Bids at such Competitive Bid Rate, shall be made pro rata in accordance with the amount of each such Competitive Bid, and (v) except pursuant to clause (iv) above, no Competitive Bid shall be accepted for a Competitive Loan unless such Competitive Loan is in a minimum principal amount of $5,000,000 and an integral multiple of $1,000,000; provided further that if a Competitive Loan must be in an amount less than $5,000,000 because of the provisions of clause (iv) above, such Competitive Loan may be for a minimum of $1,000,000 or any integral multiple thereof, and in calculating the pro rata allocation of acceptances of portions of multiple Competitive Bids at a particular Competitive Bid Rate pursuant to clause (iv) the amounts shall be rounded to integral multiples of $1,000,000 in a manner determined by the Borrower. A notice given by the Borrower pursuant to this paragraph shall be irrevocable.

(e) The Administrative Agent shall promptly notify each bidding Lender by telecopy whether or not its Competitive Bid has been accepted (and, if so, the amount and Competitive Bid Rate so accepted), and each successful bidder will thereupon become bound, subject to the terms and conditions hereof, to make the Competitive Loan in respect of which its Competitive Bid has been accepted.

(f) If the Administrative Agent shall elect to submit a Competitive Bid in its capacity as a Lender, it shall submit such Competitive Bid directly to the Borrower at least one quarter of an hour earlier than the time by which the other Lenders are required to submit their Competitive Bids to the Administrative Agent pursuant to paragraph (b) of this Section.

2.3 Procedure for Loan Borrowing. The Borrower may borrow under the Commitments during the Commitment Period on any Business Day, provided that the Borrower shall give the Administrative Agent irrevocable notice (which notice must be received by the Administrative Agent prior to 12:00 Noon, New York City time, (a) three Business Days prior to the requested Borrowing Date, in the case of Eurodollar Loans, or (b) one Business Day prior to the requested Borrowing Date, in the case of ABR Loans), specifying (i) the amount and Type of Loans to be borrowed, (ii) the requested Borrowing Date and (iii) in the case of Eurodollar Loans, the respective amounts of each such Type of Loan and the respective lengths of the initial Interest Period therefor. Any Loans made on the Closing Date shall initially be ABR Loans. Each borrowing under the Commitments shall be in an amount equal to (x) in the case of ABR Loans, $1,000,000 or a whole multiple thereof (or, if the then aggregate Available Commitments are less than $1,000,000, such lesser amount) and (y) in the case of Eurodollar Loans, $10,000,000 or a whole multiple of $1,000,000 in excess thereof. Upon receipt of any such notice from the Borrower, the Administrative Agent shall promptly notify each Lender thereof. Each Lender will make the amount of its pro rata share of each borrowing available to the Administrative Agent for the account of the Borrower at the Funding Office prior to 12:00 Noon, New York City time, on the Borrowing Date requested by the Borrower in funds immediately available to the Administrative Agent. Such borrowing will then be made available to the Borrower by the Administrative Agent crediting the account of the Borrower on the books of such office with the aggregate of the amounts made available to the Administrative Agent by the Lenders and in like funds as received by the Administrative Agent.

2.4 Facility Fees, etc.(a) The Borrower agrees to pay to the Administrative Agent for the account of each Lender a facility fee for the period from and including the Closing Date until all of the Obligations have been repaid and the Commitments have been terminated, computed at the Facility Fee Rate on the Revolving Percentage of such Lender of the total amount of the Revolving Facility (drawn or undrawn), payable quarterly in arrears on the last day of each March, June, September and December and on the Termination Date, commencing on the first of such dates to occur after the date hereof.

(b) The Borrower agrees to pay to the Administrative Agent the fees in the amounts and on the dates previously agreed to in writing by the Borrower and the Administrative Agent.

2.5 Termination or Reduction of Commitments. The Borrower shall have the right, upon not less than three Business Days' notice to the Administrative Agent, to terminate the Commitments or, from time to time, to reduce the amount of the Commitments; provided that no such termination or reduction of Commitments shall be permitted if, after giving effect thereto and to any prepayments of the Loans made on the effective date thereof, the aggregate principal amount of (i) the Loans outstanding and (ii) any

Competitive Loans outstanding, would exceed the Total Commitments. Any such reduction shall be in an amount equal to $1,000,000, or a whole multiple thereof, and shall reduce permanently the Commitments then in effect. The Administrative Agent will, in accordance with its usual practice, notify the Lenders of each such termination or reduction.

2.6 Optional Prepayments. The Borrower may at any time and from time to time prepay the Loans, in whole or in part, without premium or penalty, upon irrevocable notice delivered to the Administrative Agent at least three Business Days prior thereto in the case of Eurodollar Loans and at least one Business Day prior thereto in the case of ABR Loans, which notice shall specify the date and amount of prepayment and whether the prepayment is of Eurodollar Loans or ABR Loans; provided, that if a Eurodollar Loan is prepaid on any day other than the last day of the Interest Period applicable thereto, the Borrower shall also pay any amounts owing pursuant to Section 2.15. Upon receipt of any such notice, the Administrative Agent shall promptly notify each Lender thereof. If any such notice is given, the amount specified in such notice shall be due and payable on the date specified therein, together with (except in the case of Loans that are ABR Loans) accrued interest to such date on the amount prepaid. Partial prepayments of Loans shall be in an aggregate principal amount of $1,000,000 or a whole multiple thereof. Competitive Loans may not be prepaid without the consent of the relevant Lender.

2.7 Conversion and Continuation Options. (a) The Borrower may elect from time to time to convert Eurodollar Loans to ABR Loans by giving the Administrative Agent at least two Business Days' prior irrevocable notice of such election, provided that any such conversion of Eurodollar Loans may only be made on the last day of an Interest Period with respect thereto. The Borrower may elect from time to time to convert ABR Loans to Eurodollar Loans by giving the Administrative Agent at least three Business Days' prior irrevocable notice of such election (which notice shall specify the length of the initial Interest Period therefor), provided that no ABR Loan may be converted into a Eurodollar Loan when any Event of Default has occurred and is continuing and the Administrative Agent or the Required Lenders have determined in its or their sole discretion not to permit such conversions. Upon receipt of any such notice the Administrative Agent shall promptly notify each relevant Lender thereof.

(b) Any Eurodollar Loan may be continued as such upon the expiration of the then current Interest Period with respect thereto by the Borrower giving irrevocable notice to the Administrative Agent, in accordance with the applicable provisions of the term "Interest Period" set forth in Section 1.1, of the length of the next Interest Period to be applicable to such Loans, provided that no Eurodollar Loan may be continued as such when any Event of Default has occurred and is continuing and the Administrative Agent has or the Required Lenders have determined in its or their sole discretion not to permit such continuations, and provided, further, that if the Borrower shall fail to give any required notice as described above in this paragraph or if such continuation is not permitted pursuant to the preceding proviso such Loans shall be automatically converted to ABR Loans on the last day of such then expiring Interest Period. Upon receipt of any such notice the Administrative Agent shall promptly notify each relevant Lender thereof.

2.8 Limitations on Eurodollar Tranches. Notwithstanding anything to the contrary in this Agreement, all borrowings, conversions and continuations of Eurodollar Loans hereunder and all selections of Interest Periods hereunder shall be in such amounts and be made pursuant to such elections so that, (a) after giving effect thereto, the aggregate principal amount of the Eurodollar Loans comprising each Eurodollar Tranche shall be equal to $5,000,000 or a whole multiple of $1,000,000 in excess thereof and (b) no more than ten Eurodollar Tranches shall be outstanding at any one time.

2.9 Interest Rates and Payment Dates. (a) Each Eurodollar Loan shall bear interest for each day during each Interest Period with respect thereto at a rate per annum equal to the Eurodollar Rate determined for such day plus the Applicable Margin.

(b) Each ABR Loan shall bear interest at a rate per annum equal to the ABR plus the Applicable Margin.

(c) Each Competitive Loan shall bear interest in accordance with the applicable Competitive Bid Rate.

(d) (i) If all or a portion of the principal amount of any Loan shall not be paid when due (whether at the stated maturity, by acceleration or otherwise), such overdue amount shall bear interest at a rate per annum equal to the rate that would otherwise be applicable thereto pursuant to the foregoing provisions of this Section plus 2%, and (ii) if all or a portion of any interest payable on any Loan or any facility fee or other amount payable hereunder shall not be paid when due (whether at the stated maturity, by acceleration or otherwise), such overdue amount shall bear interest at a rate per annum equal to the rate then applicable to ABR Loans plus 2%, in each case, with respect to clauses (i) and (ii) above, from the date of such non-payment until such amount is paid in full.

(e) Interest shall be payable in arrears on each Interest Payment Date, provided that interest accruing pursuant to paragraph (d) of this Section shall be payable from time to time on demand.

2.10 Computation of Interest and Fees. (a) Interest and fees payable pursuant hereto shall be calculated on the basis of a 360-day year for the actual days elapsed, except that, with respect to ABR Loans the rate of interest on which is calculated on the basis of the Prime Rate, the interest thereon shall be calculated on the basis of a 365- (or 366-, as the case may be) day year for the actual days elapsed. The Administrative Agent shall as soon as practicable notify the Borrower and the relevant Lenders of each determination of a Eurodollar Rate. Any change in the interest rate on a Loan resulting from a change in the ABR or the Eurocurrency Reserve Requirements shall become effective as of the opening of business on the day on which such change becomes effective. The Administrative Agent shall as soon as practicable notify the Borrower and the relevant Lenders of the effective date and the amount of each such change in interest rate.

(b) Each determination of an interest rate by the Administrative Agent pursuant to any provision of this Agreement shall be conclusive and binding on the Borrower and the Lenders in the absence of manifest error. The Administrative Agent shall, at the request of the Borrower, deliver to the Borrower a statement showing the quotations used by the Administrative Agent in determining any interest rate pursuant to Section 2.9.

2.11 Inability to Determine Interest Rate. If prior to the first day of any Interest Period:

(a) the Administrative Agent shall have determined (which determination shall be conclusive and binding upon the Borrower) that, by reason of circumstances affecting the relevant market, adequate and reasonable means do not exist for ascertaining the Eurodollar Rate for such Interest Period, or that such Eurodollar rate is not available; or

(b) the Administrative Agent shall have received notice from the Required Lenders (or, in the case of a Eurodollar Competitive Loan, the Lender that is required to make such Loan) that the Eurodollar Rate determined or to be determined for such Interest Period will not adequately and fairly reflect the cost to such Lenders or Lender, as the case may be (as conclusively certified by such Lenders, or Lender as the case may be) of making or maintaining their affected Loans during such Interest Period,

the Administrative Agent shall give telecopy or telephonic notice thereof to the Borrower and the relevant Lenders as soon as practicable thereafter. If such notice is given (w) any Eurodollar Loans requested to be made on the first day of such Interest Period shall be made as ABR Loans, (x) any Loans that were to have been converted on the first day of such Interest Period to Eurodollar Loans shall be continued as ABR Loans, (y) any outstanding Eurodollar Loans shall be converted, on the last day of the then-current Interest Period, to ABR Loans and (z) any request by the Borrower for a Eurodollar Competitive Loan shall be ineffective. Until such notice has been withdrawn by the Administrative Agent, no further Eurodollar Loans shall be made or continued as such, nor shall the Borrower have the right to convert Loans to Eurodollar Loans.

2.12 Pro Rata Treatment and Payments. (a) Each borrowing by the Borrower from the Lenders hereunder, each payment by the Borrower on account of any facility fee and any reduction of the Commitments of the Lenders shall be made pro rata according to the respective Revolving Percentage as the case may be, of the relevant Lenders.

(b) Each payment (including each prepayment) by the Borrower on account of principal of and interest on the Loans shall be made pro rata according to the respective outstanding principal amounts of the Loans then held by the Lenders.

(c) All payments (including prepayments) to be made by the Borrower hereunder, whether on account of principal, interest, fees or otherwise, shall be made without setoff or counterclaim and shall be made prior to 12:00 Noon, New York City time, on the due date thereof to the Administrative Agent, for the account of the Lenders, at the Funding Office, in Dollars and in immediately available funds. The Administrative Agent shall distribute such payments to the Lenders promptly upon receipt in like funds as received. If any payment hereunder (other than payments on the Eurodollar Loans) becomes due and payable on a day other than a Business Day, such payment shall be extended to the next succeeding Business Day. If any payment on a Eurodollar Loan becomes due and payable on a day other than a Business Day, the maturity thereof shall be extended to the next succeeding Business Day unless the result of such extension would be to extend such payment into another calendar month, in which event such payment shall be made on the immediately preceding Business Day. In the case of any extension of any payment of principal pursuant to the preceding two sentences, interest thereon shall be payable at the then applicable rate during such extension.

(d) Unless the Administrative Agent shall have been notified in writing by any Lender prior to a borrowing that such Lender will not make the amount that would constitute its share of such borrowing available to the Administrative Agent, the Administrative Agent may assume that such Lender is making such amount available to the Administrative Agent, and the Administrative Agent may, in reliance upon such assumption, make available to the Borrower a corresponding amount. If such amount is not made available to the Administrative Agent by the required time on the Borrowing Date therefor, such Lender shall pay to the Administrative Agent, on demand, such amount with interest thereon at a rate equal to the daily average Federal Funds Effective Rate for the period until such Lender makes such amount immediately available to the Administrative Agent. A certificate of the Administrative Agent submitted to any Lender with respect to any amounts owing under this paragraph shall be conclusive in the absence of manifest error. If such Lender's share of such borrowing is not made available to the Administrative Agent by such Lender within three Business Days of such Borrowing Date, the

Administrative Agent shall also be entitled to recover such amount with interest thereon at the rate per annum applicable to ABR Loans, on demand, from the Borrower.

(e) Unless the Administrative Agent shall have been notified in writing by the Borrower prior to the date of any payment being made hereunder that the Borrower will not make such payment to the Administrative Agent, the Administrative Agent may assume that the Borrower is making such payment, and the Administrative Agent may, but shall not be required to, in reliance upon such assumption, make available to the Lenders their respective pro rata shares of a corresponding amount. If such payment is not made to the Administrative Agent by the Borrower within three Business Days of such required date, the Administrative Agent shall be entitled to recover, on demand, from each Lender to which any amount which was made available pursuant to the preceding sentence, such amount with interest thereon at the rate per annum equal to the daily average Federal Funds Effective Rate. Nothing herein shall be deemed to limit the rights of the Administrative Agent or any Lender against the Borrower.

2.13 Requirements of Law. (a) If the adoption of or any change in any Requirement of Law or in the interpretation or application thereof or compliance by any Lender with any request or directive (whether or not having the force of law) from any central bank or other Governmental Authority made subsequent to the date hereof:

(i) shall subject any Lender to any tax of any kind whatsoever with respect to this Agreement or any Eurodollar Loan made by it, or change the basis of taxation of payments to such Lender in respect thereof (except for Non-Excluded Taxes covered by Section 2.14 and changes in the rate of tax on the overall net income of such Lender);

(ii) shall impose, modify or hold applicable any reserve, special deposit, compulsory loan or similar requirement against assets held by, deposits or other liabilities in or for the account of, advances, loans or other extensions of credit by, or any other acquisition of funds by, any office of such Lender that is not otherwise included in the determination of the Eurodollar Rate hereunder; or

(iii) shall impose on such Lender any other condition;

and the result of any of the foregoing is to increase the cost to such Lender, by an amount that such Lender deems to be material, of making, converting into, continuing or maintaining Eurodollar Loans, or to reduce any amount receivable hereunder in respect thereof, then, in any such case, the Borrower shall promptly pay such Lender, upon its demand, any additional amounts necessary to compensate such Lender for such increased cost or reduced amount receivable. If any Lender becomes entitled to claim any additional amounts pursuant to this paragraph, it shall promptly notify the Borrower (with a copy to the Administrative Agent) of the event by reason of which it has become so entitled.

(b) If any Lender shall have determined that the adoption of or any change in any Requirement of Law regarding capital adequacy or in the interpretation or application thereof or compliance by such Lender or any corporation controlling such Lender with any request or directive regarding capital adequacy (whether or not having the force of law) from any Governmental Authority made subsequent to the date hereof shall have the effect of reducing the rate of return on such Lender's or such corporation's capital as a consequence of its obligations hereunder to a level below that which such Lender or such corporation could have achieved but for such adoption, change or compliance (taking into consideration such Lender's or such corporation's policies with respect to capital adequacy) by an amount deemed by such Lender to be material, then from time to time, after submission by such Lender to the Borrower (with a copy to the Administrative Agent) of a written request therefor, the Borrower shall pay to such Lender such additional amount or amounts as will compensate such Lender for such reduction; provided that the Borrower shall not be required to compensate a Lender pursuant to this paragraph for any amounts incurred more than six months prior to the date that such Lender notifies the Borrower of such Lender's intention to claim compensation therefor; and provided further that, if the circumstances giving rise to such claim have a retroactive effect, then such six-month period shall be extended to include the period of such retroactive effect.

(c) Notwithstanding the foregoing provisions of this Section, a Lender shall not be entitled to compensation pursuant to this Section in respect of any Competitive Loan if the Requirement of Law that would otherwise entitle it to such compensation shall have been publicly announced prior to submission of the Competitive Bid pursuant to which such Loan was made.

(d) A certificate as to any additional amounts payable pursuant to this Section submitted by any Lender to the Borrower (with a copy to the Administrative Agent) shall be conclusive in the absence of manifest error. The obligations of the Borrower pursuant to this Section shall survive the termination of this Agreement and the payment of the Loans and all other amounts payable hereunder.

2.14 Taxes. (a) All payments made by the Borrower under this Agreement shall be made free and clear of, and without deduction or withholding for or on account of, any present or future income, stamp or other taxes, levies, imposts, duties, charges, fees, deductions or withholdings, now or hereafter imposed, levied, collected, withheld or assessed by any Governmental Authority, excluding net income taxes and franchise taxes (imposed in lieu of net income taxes) imposed on the Administrative Agent or any Lender as a result of a present or former connection between the Administrative Agent or such Lender and the jurisdiction of the Governmental Authority imposing such tax or any political subdivision or taxing authority thereof or therein (other than any such connection arising solely from the Administrative Agent or such Lender having executed, delivered or performed its obligations or received a payment under, or enforced, this Agreement or any other Loan Document). If any such non-excluded taxes, levies, imposts, duties, charges, fees, deductions or withholdings ("Non-Excluded Taxes") or Other Taxes are required to be withheld from any amounts payable to the Administrative Agent or any Lender hereunder, the amounts so payable to the Administrative Agent or such Lender shall be increased to the extent necessary to yield to the Administrative Agent or such Lender (after payment of all Non-Excluded Taxes and Other Taxes) interest or any such other amounts payable hereunder at the rates or in the amounts specified in this Agreement, provided, however, that the Borrower shall not be required to increase any such amounts payable to any Lender with respect to any Non-Excluded Taxes (i) that are attributable to such Lender's failure to comply with the requirements of paragraph (d) or (e) of this Section or (ii) that are United States withholding taxes imposed on amounts payable to such Lender at the time the Lender becomes a party to this Agreement, except to the extent that such Lender's assignor (if any) was entitled, at the time of assignment, to receive additional amounts from the Borrower with respect to such Non-Excluded Taxes pursuant to this paragraph.

(b) In addition, the Borrower shall pay any Other Taxes to the relevant Governmental Authority in accordance with applicable law.

(c) Whenever any Non-Excluded Taxes or Other Taxes are payable by the Borrower, as promptly as possible thereafter the Borrower shall send to the Administrative Agent for its own account or for the account of the relevant Lender, as the case may be, a certified copy of an original official receipt received by the Borrower showing payment thereof. If the Borrower fails to pay any Non-

Excluded Taxes or Other Taxes when due to the appropriate taxing authority or fails to remit to the Administrative Agent the required receipts or other required documentary evidence, the Borrower shall indemnify the Administrative Agent and the Lenders for any incremental taxes, interest or penalties that may become payable by the Administrative Agent or any Lender as a result of any such failure.

(d) Each Lender (or Transferee) that is not a citizen or resident of the United States of America, a corporation, partnership or other entity created or organized in or under the laws of the United States of America (or any jurisdiction thereof), or any estate or trust that is subject to federal income taxation regardless of the source of its income (a "Non-U.S. Lender") shall deliver to the Borrower and the Administrative Agent (or, in the case of a Participant, to the Lender from which the related participation shall have been purchased) two copies of either U.S. Internal Revenue Service Form W-8BEN or Form W-8ECI, or, in the case of a Non-U.S. Lender claiming exemption from U.S. federal withholding tax under Section 871(h) or 881(c) of the Code with respect to payments of "portfolio interest", a statement substantially in the form of Exhibit D and a Form W-8BEN, or any subsequent versions thereof or successors thereto, properly completed and duly executed by such Non-U.S. Lender claiming complete exemption from, or a reduced rate of, U.S. federal withholding tax on all payments by the Borrower under this Agreement and the other Loan Documents. Such forms shall be delivered by each Non-U.S. Lender on or before the date it becomes a party to this Agreement (or, in the case of any Participant, on or before the date such Participant purchases the related participation). In addition, each Non-U.S. Lender shall deliver such forms promptly upon the obsolescence or invalidity of any form previously delivered by such Non-U.S. Lender. Each Non-U.S. Lender shall promptly notify the Borrower at any time it determines that it is no longer in a position to provide any previously delivered certificate to the Borrower (or any other form of certification adopted by the U.S. taxing authorities for such purpose). Notwithstanding any other provision of this paragraph, a Non-U.S. Lender shall not be required to deliver any form pursuant to this paragraph that such Non-U.S. Lender is not legally able to deliver.

(e) A Lender that is entitled to an exemption from or reduction of non-U.S. withholding tax under the law of the jurisdiction in which the Borrower is located, or any treaty to which such jurisdiction is a party, with respect to payments under this Agreement shall deliver to the Borrower (with a copy to the Administrative Agent), at the time or times prescribed by applicable law or reasonably requested by the Borrower, such properly completed and executed documentation prescribed by applicable law as will permit such payments to be made without withholding or at a reduced rate, provided that such Lender is legally entitled to complete, execute and deliver such documentation and in such Lender's judgment such completion, execution or submission would not materially prejudice the legal position of such Lender.

(f) The agreements in this Section shall survive the termination of this Agreement and the payment of the Loans and all other amounts payable hereunder.

2.15 Indemnity. The Borrower agrees to indemnify each Lender and to hold each Lender harmless from any loss or expense that such Lender may sustain or incur as a consequence of (a) default by the Borrower in making a borrowing of, conversion into or continuation of Eurodollar Loans after the Borrower has given a notice requesting the same in accordance with the provisions of this Agreement, (b) default by the Borrower in making any prepayment of or conversion from Eurodollar Loans after the Borrower has given a notice thereof in accordance with the provisions of this Agreement, (c) the making of a prepayment of Eurodollar Loans on a day that is not the last day of an Interest Period with respect thereto or (d) the making of a prepayment of a Competitive Loan. Such indemnification may include an amount equal to the excess, if any, of (i) the amount of interest that would have accrued on the amount so prepaid, or not so borrowed, converted or continued, for the period from the date of such prepayment or of such failure to borrow, convert or continue to the last day of such Interest Period (or, in the case of a failure to borrow, convert or continue, the Interest Period that would have commenced on the date of such failure) in each case at the applicable rate of interest for such Loans provided for herein (excluding, however, the Applicable Margin included therein, if any) over (ii) the amount of interest (as reasonably determined by such Lender) that would have accrued to such Lender on such amount by placing such amount on deposit for a comparable period with leading banks in the interbank eurodollar market. A certificate as to any amounts payable pursuant to this Section submitted to the Borrower by any Lender shall be conclusive in the absence of manifest error. This covenant shall survive the termination of this Agreement and the payment of the Loans and all other amounts payable hereunder.

2.16 Change of Lending Office. Each Lender agrees that, upon the occurrence of any event giving rise to the operation of Section 2.13 or 2.14(a) with respect to such Lender, it will, if requested by the Borrower, use reasonable efforts (subject to overall policy considerations of such Lender) to designate another lending office for any Loans affected by such event with the object of avoiding the consequences of such event; provided, that such designation is made on terms that, in the sole judgment of such Lender, cause such Lender and its lending office(s) to suffer no economic, legal or regulatory disadvantage, and provided, further, that nothing in this Section shall affect or postpone any of the obligations of any Borrower or the rights of any Lender pursuant to Section 2.13 or 2.14(a).

2.17 Replacement of Lenders. The Borrower shall be permitted to replace any Lender that (a) requests reimbursement for amounts owing pursuant to Section 2.13 or 2.14(a) or (b) defaults in its obligation to make Loans hereunder, with a replacement financial institution; provided that (i) such replacement does not conflict with any Requirement of Law, (ii) no Event of Default shall have occurred and be continuing at the time of such replacement, (iii) prior to any such replacement, such Lender shall have taken no action under Section 2.16 so as to eliminate the continued need for payment of amounts owing pursuant to Section 2.13 or 2.14(a), (iv) the replacement financial institution shall purchase, at par, all Loans and other amounts owing to such replaced Lender on or prior to the date of replacement, (v) the Borrower shall be liable to such replaced Lender under Section 2.15 if any Eurodollar Loan or Eurodollar Competitive Loan owing to such replaced Lender shall be purchased other than on the last day of the Interest Period relating thereto, (vi) the replacement financial institution, if not already a Lender, shall be reasonably satisfactory to the Administrative Agent, (vii) the replaced Lender shall be obligated to make such replacement in accordance with the provisions of Section 9.6 (provided that the Borrower shall be obligated to pay the registration and processing fee referred to therein), (viii) until such time as such replacement shall be consummated, the Borrower shall pay all additional amounts (if any) required pursuant to Section 2.13 or 2.14(a), as the case may be, and (ix) any such replacement shall not be deemed to be a waiver of any rights that the Borrower, the Administrative Agent or any other Lender shall have against the replaced Lender.

2.18 Extension Option. At least 30 days but not more than 90 days prior to each anniversary of the Closing Date, the Borrower may, by written notice to the Administrative Agent (which notice the Administrative Agent shall promptly transmit to each Lender), request that each Lender agree to an extension of the Termination Date for a period of 365 days from its then scheduled expiration. Each Lender shall respond to such extension request (each such response being delivered to the Administrative Agent) in accordance with instructions provided by the Administrative Agent (which response shall not be required earlier than 30 days after the date of such request), with the failure of any Lender to respond being deemed to be a negative response. Each Lender shall decide in its sole discretion whether or not to agree to such extension of the Termination Date. So long as the Required Lenders shall have approved such extension request and no Default or Event of Default is in existence at such time, then each Lender that has responded affirmatively as set forth above (regardless of whether such Lender declined a prior request, each such Lender, an "Extending Lender") shall be deemed to have agreed (such agreement to become effective on the then effective Termination Date (such date an "Extension Date")) to cause the Termination Date to be extended as to each Extending Lender until the date which is 365 days after the then effective Termination Date. In the event that one or more Lenders (each a "Non-Extending Lender") do not agree to such extension, the Borrower may elect, with respect to such Non-Extending Lender, on or before the Termination Date then in effect, to provide, with the consent of the Administrative Agent (such consent not to be unreasonably withheld), another bank or financial institution or entity to acquire the Commitment of and Loans owing to such Non-Extending Lender, which assignment of such Non-Extending Lender's Commitment and Loans shall be effected pursuant to an Assignment and Acceptance executed by the Non-Extending Lender, such other bank or financial institution or entity, the Borrower and the Administrative Agent. On such Extension Date, the Commitment of any Non-Extending Lender shall, unless assigned in accordance with the immediately preceding sentence, automatically terminate in whole without any further notice or other action by the Borrower, such Non-Extending Lender or any other Person and all principal, interest and fees owing to such Non-Extending Lender shall be paid in full by the Borrower, provided that such Non-Extending Lender's rights under Sections 2.13, 2.14, 2.15 and 9.5 shall survive the Extension Date for such Non-Extending Lender as to matters occurring on or prior to such date.

2.19 Optional Commitment Increase. The Borrower shall have the right at any time and from time to time to increase the Commitments by an aggregate amount not to exceed $300,000,000 (i) by requesting that one or more banks or other financial institutions not a party to this Agreement become a Lender hereunder and/or (ii) by requesting that any one or more of the Lenders increase the amount of its Commitment; provided, that (x) the addition of any bank or financial institution pursuant to clause (i) above shall be subject to the consent of the Administrative Agent (which consent shall not be unreasonably withheld) and (y) no Lender's Commitment shall be increased without its consent. Each increase in the Commitments pursuant to this subsection shall be effected pursuant to an amendment to this Agreement executed and delivered by the Borrower, the Administrative Agent and the Lender, bank or other financial institution providing the increased or new Commitment, as the case may be. If, on the date upon which any increased or new Commitment shall become effective, any Loans shall be outstanding, the Borrower shall on such date be required to prepay such Loans and, to the extent it determines that it is desirable to do so, reborrow from the Lenders (giving effect to such increased or new Commitment). The Administrative Agent will notify each Lender promptly following the date upon which any new or increased Commitment becomes effective pursuant to this subsection.

2.20 Evidence of Debt. The Administrative Agent shall maintain accounts in which it shall record (i) the amount of each Loan made hereunder, the Type thereof and the Interest Period applicable thereto, (ii) the amount of any principal or interest due and payable or to become due and payable from the Borrower to each Lender hereunder and (iii) the amount of any sum received by the Administrative Agent hereunder for the account of the Lenders and each Lender's share thereof. The entries made in the accounts maintained pursuant to this Section 2.20 shall be prima facie evidence of the existence and amounts of the obligations recorded therein; provided that the failure of any Lender or the Administrative Agent to maintain such accounts or any error therein shall not in any manner affect the obligation of the Borrower to repay the Loans in accordance with the terms of this Agreement.

SECTION 3 REPRESENTATIONS AND WARRANTIES

To induce the Administrative Agent and the Lenders to enter into this Agreement and to make the Loans the Borrower hereby represents and warrants to the Administrative Agent and each Lender that:

3.1 Financial Condition. The audited consolidated balance sheets of the Borrower at December 31, 2003 and December 31, 2004, and the related consolidated statements of income and of cash flows for the fiscal years ended on December 31, 2003 and December 31, 2004, reported on by and accompanied by an unqualified report from, in respect of the fiscal years ending on December 31, 2003 and December 31, 2004, Deloitte Touche, LLP, present fairly the consolidated financial condition of the Borrower as at such date, and the consolidated results of its operations and its consolidated cash flows for the respective fiscal years then ended. The unaudited consolidated balance sheet of the Borrower as at March 31, 2005 and the related unaudited consolidated statements of income and cash flows for the three-month period ended on such date, present fairly the consolidated financial condition of the Borrower as at such date, and the consolidated results of its operations and its consolidated cash flows for the three-month period then ended (subject to normal year-end audit adjustments). All such financial statements, including the related schedules and notes thereto, have been prepared in accordance with GAAP applied consistently throughout the periods involved (except as approved by the aforementioned firm of accountants and disclosed therein). The Borrower and its Significant Subsidiaries do not have any material Guarantee Obligations, contingent liabilities and liabilities for taxes, or any long-term leases (other than those arising in connection with the Facility Lease Agreement, dated as of May 25, 2004, between SE Ravenswood Trust and KeySpan Ravenswood LLC) or unusual forward or long-term commitments, including any interest rate or foreign currency swap or exchange transaction or other obligation in respect of derivatives, that are not reflected in the most recent financial statements referred to in this paragraph, except Guarantee Obligations of Indebtedness of the Borrower and/or any of its Significant Subsidiaries so long as the Indebtedness in respect of which such Guarantee Obligations arise is reflected in such financial statements.

3.2 No Change. Since December 31, 2004 there has been no development or event that has had or could reasonably be expected to have a Material Adverse Effect.

3.3 Corporate Existence; Compliance with Law. Each of the Borrower and its Significant Subsidiaries (a) is duly organized, validly existing and in good standing under the laws of the jurisdiction of its organization, (b) has the corporate power and authority, and the legal right, to own and operate its property, to lease the property it operates as lessee and to conduct the business in which it is currently engaged, (c) is duly qualified as a foreign corporation and in good standing under the laws of each jurisdiction where its ownership, lease or operation of property or the conduct of its business requires such qualification and (d) is in compliance with all Requirements of Law except to the extent that the failure to comply therewith could not, in the aggregate, reasonably be expected to have a Material Adverse Effect.

3.4 Corporate Power; Authorization; Enforceable Obligations. The Borrower has the corporate power and authority, and the legal right, to make, deliver and perform the Loan Documents and to borrow hereunder. The Borrower has taken all necessary corporate action to authorize the execution, delivery and performance of the Loan Documents and to authorize the borrowings on the terms and conditions of this Agreement. No consent or authorization of, filing with, notice to or other act by or in respect of, any Governmental Authority or any other Person is required in connection with the borrowings hereunder or with the execution, delivery, performance, validity or enforceability of this Agreement or any of the Loan

Documents, except consents, authorizations, filings and notices described in Schedule 3.4, which consents, authorizations, filings and notices have been obtained or made and are in full force and effect. Each Loan Document has been duly executed and delivered on behalf of the Borrower. This Agreement constitutes, and each other Loan Document upon execution will constitute, a legal, valid and binding obligation of the Borrower, enforceable against the Borrower in accordance with its terms, except as enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting the enforcement of creditors' rights generally and by general equitable principles (whether enforcement is sought by proceedings in equity or at law).

3.5 No Legal Bar. The execution, delivery and performance of this Agreement and the other Loan Documents, the borrowings hereunder and the use of the proceeds thereof will not violate any Requirement of Law or any material Contractual Obligation of the Borrower or any of its Significant Subsidiaries and will not result in, or require, the creation or imposition of any Lien on any of their respective properties or revenues pursuant to any Requirement of Law or any such Contractual Obligation. No Requirement of Law or Contractual Obligation applicable to the Borrower or any of its Significant Subsidiaries could reasonably be expected to have a Material Adverse Effect.

3.6 Litigation. No litigation, investigation or proceeding of or before any arbitrator or Governmental Authority is pending or, to the knowledge of the Borrower, threatened by or against the Borrower or any of its Significant Subsidiaries or against any of their respective properties or revenues (a) with respect to any of the Loan Documents or any of the transactions contemplated hereby or thereby, or (b) that could reasonably be expected to have a Material Adverse Effect (except as set forth on Schedule 3.6 or set forth in public filings filed with the SEC prior to the date hereof).

3.7 No Default. Neither the Borrower nor any of its Significant Subsidiaries is in default under or with respect to any of its Contractual Obligations in any respect that could reasonably be expected to have a Material Adverse Effect. No Default or Event of Default has occurred and is continuing.

3.8 Ownership of Property; Liens. Each of the Borrower and its Significant Subsidiaries has title in fee simple to, or a valid leasehold interest in, all its real property, and good title to, or a valid leasehold interest in, all its other property, except to the extent failure to have such title could not reasonably be expected to have a Material Adverse Effect, and none of such property is subject to any Lien except as permitted by Section 6.2.

3.9 Intellectual Property. The Borrower and each of its Significant Subsidiaries owns, or is licensed to use, all Intellectual Property necessary for the conduct of its business as currently conducted, except to the extent failure to have such ownership or license could not reasonably be expected to have a Material Adverse Effect. No material claim has been asserted and is pending by any Person challenging or questioning the use of any Intellectual Property or the validity or effectiveness of any Intellectual Property, except to the extent any such claim could not reasonably be expected to have a Material Adverse Effect, nor does the Borrower know of any valid basis for any such claim. The use of Intellectual Property by the Borrower and its Significant Subsidiaries does not infringe on the rights of any Person in any material respect, except to the extent any such infringement could not reasonably be expected to have a Material Adverse Effect.

3.10 Taxes. Each of the Borrower and each of its Significant Subsidiaries has filed or caused to be filed all Federal, state and other material tax returns that are required to be filed and has paid all taxes shown to be due and payable on said returns or on any assessments made against it or any of its property and all other taxes, fees or other charges imposed on it or any of its property by any

Governmental Authority (other than any the amount or validity of that are currently being contested in good faith by appropriate proceedings and with respect to which reserves in conformity with GAAP have been provided on the books of the Borrower or its Significant Subsidiaries, as the case may be); no material tax Lien has been filed, and, to the knowledge of the Borrower, no material claim is being asserted, with respect to any such tax, fee or other charge.

3.11 Federal Regulations. No part of the proceeds of any Loans will be used for "buying" or "carrying" any "margin stock" within the respective meanings of each of the quoted terms under Regulation U as now and from time to time hereafter in effect or for any purpose that violates the provisions of the Regulations of the Board.

3.12 Labor Matters. Except as, in the aggregate, could not reasonably be expected to have a Material Adverse Effect: (a) there are no strikes or other labor disputes against the Borrower or any of its Significant Subsidiaries pending or, to the knowledge of the Borrower, threatened; (b) hours worked by and payment made to employees of the Borrower and its Significant Subsidiaries have not been in violation of the Fair Labor Standards Act or any other applicable Requirement of Law dealing with such matters; and (c) all payments due from the Borrower or any of its Significant Subsidiaries on account of employee health and welfare insurance have been paid or accrued as a liability on the books of the Borrower or the relevant Significant Subsidiary.

3.13 ERISA. Neither a Reportable Event nor an "accumulated funding deficiency" (within the meaning of Section 412 of the Code or Section 302 of ERISA) has occurred during the five-year period prior to the date on which this representation is made or deemed made with respect to any Plan, and each Plan has complied in all material respects with the applicable provisions of ERISA and the Code. No termination of a Single Employer Plan which could reasonably be expected to result in a Material Adverse Effect has occurred, and no Lien in favor of the PBGC or a Plan has arisen, during such five-year period. The present value of all accrued benefits under each Single Employer Plan (based on those assumptions used to fund such Plans) did not, as of the last annual valuation date prior to the date on which this representation is made or deemed made, exceed the value of the assets of such Plan allocable to such accrued benefits by a material amount. Neither the Borrower nor any Commonly Controlled Entity has had a complete or partial withdrawal from any Multiemployer Plan that has resulted or could reasonably be expected to result in a material liability under ERISA, and neither the Borrower nor any Commonly Controlled Entity would become subject to any material liability under ERISA if the Borrower or any such Commonly Controlled Entity were to withdraw completely from all Multiemployer Plans as of the valuation date most closely preceding the date on which this representation is made or deemed made. No such Multiemployer Plan is in Reorganization or Insolvent.

3.14 Investment Company Act; Other Regulations. Neither the Borrower nor any of its Significant Subsidiaries is (i) an "investment company", or a company "controlled" by an "investment company", within the meaning of the Investment Company Act of 1940. The Borrower is a registered "holding company" under the Public Utility Holding Company Act of 1935, as amended ("PUHCA"), and is subject to regulation by the Securities and Exchange Commission. Neither the Borrower nor any of its Significant Subsidiaries is subject to regulation under any Requirement of Law (other than Regulation X of the Board and PUHCA or regulation by the New York Public Service Commission, the Massachusetts Department of Telecommunications and Energy and the New Hampshire Public Utilities Commission) that limits its ability to incur Indebtedness.

3.15 Subsidiaries. Except as disclosed to the Administrative Agent by the Borrower in writing from time to time after the Closing Date, (a) Schedule 3.15 sets forth the name and jurisdiction of incorporation of each Significant Subsidiary and, as to each such Subsidiary, the percentage of each class of Capital Stock owned by the Borrower and (b) there are no outstanding subscriptions, options, warrants, calls, rights or other agreements or commitments (other than stock options granted to employees or directors and directors' qualifying shares or in connection with the Borrower's 401k plan contributions or dividend reinvestment plan) of any nature relating to any Capital Stock of the Borrower or any Significant Subsidiary, except as created by the Loan Documents.

3.16 Use of Proceeds. The proceeds of the Loans shall be used for general corporate purposes (including commercial paper back-up liquidity) of the Borrower and its Subsidiaries in the ordinary course of business.

3.17 Environmental Matters. Except as, (1) in the aggregate, could not reasonably be expected to have a Material Adverse Effect or (2) as disclosed in the most recent 10-Q and 10-K of the Borrower filed with the SEC prior to the Closing Date:

(a) the facilities or properties owned, leased or operated by the Borrower and any of its Significant Subsidiaries (the "Properties") do not contain, and have not previously contained, any Materials of Environmental Concern in amounts or concentrations or under circumstances that constitute or constituted a violation of, or could give rise to liability under, any Environmental Law;

(b) neither the Borrower nor any of its Significant Subsidiaries has received or is aware of any notice of violation, alleged violation, non-compliance, liability or potential liability regarding environmental matters or compliance with Environmental Laws with regard to any of the Properties or the business operated by the Borrower or any of its Significant Subsidiaries (the "Business"), nor does the Borrower have knowledge or reason to believe that any such notice will be received or is being threatened;

(c) Materials of Environmental Concern have not been transported or disposed of from the Properties in violation of, or in a manner or to a location that could give rise to liability under, any Environmental Law, nor have any Materials of Environmental Concern been generated, treated, stored or disposed of at, on or under any of the Properties in violation of, or in a manner that could give rise to liability under, any applicable Environmental Law;

(d) no judicial proceeding or governmental or administrative action is pending or, to the knowledge of the Borrower, threatened, under any Environmental Law to which the Borrower or any Significant Subsidiary is or will be named as a party with respect to the Properties or the Business, nor are there any consent decrees or other decrees, consent orders, administrative orders or other orders, or other administrative or judicial requirements outstanding under any Environmental Law with respect to the Properties or the Business;

(e) there has been no release or threat of release of Materials of Environmental Concern at or from the Properties, or arising from or related to the operations of the Borrower or any Significant Subsidiary in connection with the Properties or otherwise in connection with the Business, in violation of or in amounts or in a manner that could give rise to liability under Environmental Laws;

(f) the Properties and all operations at the Properties are in material compliance, and have in the last five years been in material compliance, with all applicable Environmental Laws, and there is no contamination at, under or about the Properties or violation of any Environmental Law with respect to the Properties or the Business; and

(g) neither the Borrower nor any of its Significant Subsidiaries has assumed any liability of any other Person under Environmental Laws.

3.18 Accuracy of Information, etc. No statement or information contained in this Agreement, the Notes, the Confidential Information Memorandum or any other document, certificate or statement furnished by or on behalf of the Borrower to the Administrative Agent or the Lenders, or any of them, for use in connection with the transactions contemplated by this Agreement, contained as of the date such statement, information, document or certificate was so furnished (or, in the case of the Confidential Information Memorandum, as of the date of this Agreement), any untrue statement of a material fact or omitted to state a material fact necessary to make the statements contained herein or therein not misleading. There is no fact known to the Borrower that could reasonably be expected to have a Material Adverse Effect that has not been expressly disclosed herein, in the Confidential Information Memorandum or in any other documents, certificates and statements furnished to the Administrative Agent and the Lenders for use in connection with the transactions contemplated hereby.

SECTION 4 CONDITIONS PRECEDENT

4.1 Conditions to Closing Date. The Closing Date shall be the date upon which the following conditions precedent shall have been fulfilled:

(a) Credit Agreement. The Administrative Agent shall have received this Agreement, executed and delivered by the Administrative Agent, the Borrower and each Person listed on Schedule 1.1.

(b) Termination of Existing Credit Agreement. The Existing Credit Agreement shall have been terminated and all amounts owed thereunder shall have been paid.

(c) Financial Statements. The Lenders shall have received (i) audited consolidated financial statements of the Borrower for the fiscal years ended December 31, 2003 and December 31, 2004 and (ii) unaudited interim consolidated financial statements of the Borrower for each quarterly period ended subsequent to the date of the latest applicable financial statements delivered pursuant to clause (i) of this paragraph as to which such financial statements are available, and such financial statements shall not, in the reasonable judgment of the Lenders, reflect any material adverse change in the consolidated financial condition of the Borrower, as reflected in the financial statements or projections contained in the Confidential Information Memorandum.

(d) Approvals. All governmental and third party approvals necessary in connection with the continuing operations of the Borrower and its Significant Subsidiaries and the transactions contemplated hereby shall have been obtained and be in full force and effect.

(e) Fees. The Lenders and the Administrative Agent shall have received all fees required to be paid, and all expenses for which invoices have been presented (including the reasonable fees and expenses of legal counsel), on or before the Closing Date.

(f) Closing Certificate. The Administrative Agent shall have received, with a counterpart for each Lender, a certificate of the Borrower, dated the Closing Date, substantially in the form of Exhibit A, with appropriate insertions and attachments.

(g) Legal Opinions. The Administrative Agent shall have received the executed legal opinion of John J. Bishar, Jr., Executive Vice President, General Counsel and Secretary of the Borrower and Counsel for each of its Significant Subsidiaries, substantially in the form of Exhibit C. Such legal opinion shall cover such other matters incident to the transactions contemplated by this Agreement as the Administrative Agent may reasonably require.

(h) Reaffirmation of Commercial Paper Ratings. The Borrower shall have maintained the rating of its commercial paper of at least A2 from S&P and P2 from Moody's.

4.2 Conditions to Each Extension of Credit.The agreement of each Lender to make any extension of credit requested to be made by it on any date (including its initial extension of credit) is subject to the satisfaction of the following conditions precedent:

(a) Representations and Warranties. Each of the representations and warranties made by the Borrower in or pursuant to this Agreement (other than the representations and warranties contained in Sections 3.2, 3.6 and 3.17) shall be true and correct on and as of such date as if made on and as of such date.

(b) No Default. No Default or Event of Default shall have occurred and be continuing on such date or after giving effect to the extensions of credit requested to be made on such date.

Each borrowing by the Borrower hereunder shall constitute a representation and warranty by the Borrower as of the date of such extension of credit that the conditions contained in this Section 4.2 have been satisfied.

SECTION 5 AFFIRMATIVE COVENANTS

The Borrower hereby agrees that, so long as the Commitments remain in effect or any Loan or other amount is owing to any Lender or the Administrative Agent hereunder, the Borrower shall and shall cause each of its Significant Subsidiaries to:

5.1 Financial Statements. Furnish to the Administrative Agent and each Lender:

(a) as soon as available, but in any event within 120 days after the end of each fiscal year of the Borrower, a copy of the audited consolidated balance sheet of the Borrower and its consolidated Subsidiaries as at the end of such fiscal year and the related audited consolidated statements of income and of cash flows for such fiscal year, setting forth in each case in comparative form the figures for the previous fiscal year, reported on without a "going concern" or like qualification or exception, or qualification arising out of the scope of the audit, by Deloitte Touche, LLP or other independent certified public accountants of nationally recognized standing; and

(b) as soon as available, but in any event not later than 60 days after the end of each of the first three quarterly periods of each fiscal year of the Borrower, the unaudited consolidated balance sheet of the Borrower and its consolidated Subsidiaries as at the end of such quarter and the related unaudited consolidated statements of income and of cash flows for such quarter and the portion of the fiscal year through the end of such quarter, setting forth in each case in comparative form the figures for the previous year, certified by a Responsible Officer as being fairly stated in all material respects (subject to normal year-end audit adjustments).

All such financial statements shall be complete and correct in all material respects and shall be prepared in reasonable detail and in accordance with GAAP applied consistently throughout the periods reflected therein and with prior periods (except as approved by such accountants or officer, as the case may be, and disclosed therein).

5.2 Certificates; Other Information. Furnish to the Administrative Agent and each Lender (or, in the case of clause (c), to the relevant Lender):

(a) concurrently with the delivery of any financial statements pursuant to Section 5.1, (i) a certificate of a Responsible Officer stating that, to the best of such Responsible Officer's knowledge, the Borrower during such period has observed or performed all of its covenants and other agreements, and satisfied every condition, contained in this Agreement to be observed, performed or satisfied by it, and that such Responsible Officer has obtained no knowledge of any Default or Event of Default except as specified in such certificate and (ii) in the case of quarterly or annual financial statements, a compliance certificate containing all information and calculations necessary for determining compliance with the provisions of Section 6.1 of this Agreement referred to therein as of the last day of the fiscal quarter or fiscal year of the Borrower, as the case may be;

(b) within five days after the same are sent, copies of all financial statements and reports that the Borrower sends to the holders of any class of its debt securities or public equity securities and, within five days after the same are filed, copies of all 10-Q's, 10-K's and 8-K's (if such 8-K relates to financial information pursuant to the Securities Exchange Act of 1934) that the Borrower may file with the SEC; and

(c) promptly, such additional financial and other information as any Lender may from time to time reasonably request.

The delivery requirements of Sections 5.1 and 5.2 shall be deemed to be satisfied to the extent the Borrower gives the Administrative Agent notice (the Administrative Agent to give notice to the Lenders) of availability of public filings with the SEC which contain such required materials, or shall have made such materials available to the Administrative Agent and Lenders by posting on Intralinks, within the time periods specified therefor and satisfying the other requirements thereof, provided that, upon the request of the Administrative Agent or any Lender through the Administrative Agent, the Borrower shall provide paper copies of any materials required under Sections 5.1 and 5.2.

5.3 Payment of Obligations. Pay, discharge or otherwise satisfy at or before maturity or before they become delinquent, as the case may be, all its material obligations of whatever nature, except where (i) the amount or validity thereof is currently being contested in good faith by appropriate proceedings and reserves in conformity with GAAP with respect thereto have been provided on the books of the Borrower or its Significant Subsidiaries, as the case may be or (ii) the failure to do so could not reasonably be expected to have a Material Adverse Effect.

5.4 Maintenance of Existence; Compliance. (a) (i) preserve, renew and keep in full force and effect its corporate existence and (ii) take all reasonable action to maintain all rights, privileges and franchises necessary or desirable in the normal conduct of its business, except, in each case, as otherwise permitted by Section 5.4 and except, in the case of clause (ii) above, to the extent that failure to do so could not reasonably be expected to have a Material Adverse Effect; and (b) comply with all Contractual Obligations and Requirements of Law except to the extent that failure to comply therewith could not, in the aggregate, reasonably be expected to have a Material Adverse Effect.

5.5 Maintenance of Property; Insurance. (a) Keep all property useful and necessary in its business in good working order and condition, ordinary wear and tear excepted and (b) maintain with financially sound and reputable insurance companies insurance on all its property in at least such amounts and against at least such risks (but including, in any event, public liability, product liability and business interruption) as are usually insured against in the same general area by companies engaged in the same or a similar business.

5.6 Inspection of Property; Books and Records; Discussions. (a) Keep proper books of records and account in which full, true and correct entries in conformity with GAAP and all Requirements of Law shall be made of all dealings and transactions in relation to its business and activities and (b) permit representatives of any Lender to visit and inspect any of its properties and examine and make abstracts from any of its books and records at any reasonable time and as often as may reasonably be desired and to discuss the business, operations, properties and financial and other condition of the Borrower and its Significant Subsidiaries with officers and employees of the Borrower and its Significant Subsidiaries and with its independent certified public accountants.

5.7 Notices. Promptly give notice to the Administrative Agent and each Lender of:

(a) the occurrence of any Default or Event of Default;

(b) any (i) default or event of default under any Contractual Obligation of the Borrower or any of its Significant Subsidiaries or (ii) litigation, investigation or proceeding that may exist at any time between the Borrower or any of its Significant Subsidiaries and any Governmental Authority, that, in either case, if not cured or if adversely determined, as the case may be, could reasonably be expected to have a Material Adverse Effect;

(c) any litigation or proceeding affecting the Borrower or any of its Significant Subsidiaries in which the amount involved is $25,000,000 or more and not covered by insurance or in which injunctive or similar relief is sought;

(d) the following events, as soon as possible and in any event within 30 days after the Borrower knows or has reason to know thereof: (i) the occurrence of any Reportable Event with respect to any Plan, a failure to make any required contribution to a Plan, the creation of any Lien in favor of the PBGC or a Plan or any withdrawal from, or the termination, Reorganization or Insolvency of, any Multiemployer Plan or (ii) the institution of proceedings or the taking of any other action by the PBGC or the Borrower or any Commonly Controlled Entity or any Multiemployer Plan with respect to the withdrawal from, or the termination, Reorganization or Insolvency of, any Plan; and

(e) any development or event that has had or could reasonably be expected to have a Material Adverse Effect.

Each notice pursuant to this Section 5.7 shall be accompanied by a statement of a Responsible Officer setting forth details of the occurrence referred to therein and stating what action the Borrower or the relevant Subsidiary proposes to take with respect thereto.

5.8 Environmental Laws. (a) Comply in all material respects with, and to the best of its knowledge ensure compliance in all material respects by all tenants and subtenants, if any, with, all applicable Environmental Laws, and to the best of its knowledge obtain and comply in all material respects with and maintain, and ensure that all tenants and subtenants obtain and comply in all material respects with and maintain, any and all licenses, approvals, notifications, registrations or permits required by applicable Environmental Laws.

(b) Conduct and complete all investigations, studies, sampling and testing, and all remedial, removal and other actions required under Environmental Laws and promptly comply in all material respects with all lawful orders and directives of all Governmental Authorities regarding Environmental Laws.

5.9 Transaction with Affiliates. Enter into any transaction, including any purchase, sale, lease or exchange of property, the rendering of any service or the payment of any management, advisory or similar fees, with any Affiliates (other than the Borrower) upon fair and reasonable terms no less favorable to the Borrower or such Significant Subsidiary, as the case may be, than it would obtain in a comparable arm's length transaction with a Person that is not an Affiliate, subject to any requirement under the Public Utility Holding Company Act of 1935, as amended, or applicable state regulatory rules or requirements.

SECTION 6 NEGATIVE COVENANTS

The Borrower hereby agrees that, so long as the Commitments remain in effect or any Loan or other amount is owing to any Lender or the Administrative Agent hereunder, the Borrower shall not, and shall not permit any of its Significant Subsidiaries to, directly or indirectly:

6.1 Financial Condition Covenant. Permit the ratio of Consolidated Indebtedness to Consolidated Capitalization as at the last day of any fiscal quarter to exceed 0.65:1.00.

6.2 Liens. Create, incur, assume or suffer to exist any Lien upon any of its property, whether now owned or hereafter acquired, except for:

(a) Liens for taxes not yet due or that are being contested in good faith by appropriate proceedings, provided that adequate reserves with respect thereto are maintained on the books of the Borrower or its Significant Subsidiaries, as the case may be, in conformity with GAAP;

(b) carriers', warehousemen's, mechanics', materialmen's, repairmen's or other like Liens arising in the ordinary course of business that are not overdue for a period of more than 30 days or that are being contested in good faith by appropriate proceedings;

(c) pledges or deposits in connection with workers' compensation, unemployment insurance and other social security legislation;

(d) deposits to secure the performance of bids, trade contracts (other than for borrowed money), leases, statutory obligations, surety and appeal bonds, performance bonds and other obligations of a like nature incurred in the ordinary course of business;

(e) easements, rights-of-way, restrictions and other similar encumbrances incurred in the ordinary course of business that, in the aggregate, are not substantial in amount and that do not in any case materially detract from the value of the property subject thereto or materially interfere with the ordinary conduct of the business of the Borrower or any of its Significant Subsidiaries;

(f) Liens in existence on the date hereof listed on Schedule 6.2(f), securing Indebtedness outstanding on the date hereof, provided that no such Lien is spread to cover any additional property after the Closing Date and that the amount of Indebtedness secured thereby is not increased;

(g) Liens securing Indebtedness of the Borrower or any other Significant Subsidiary incurred to finance or refinance the acquisition, construction or improvement of fixed or capital assets (including, without limitation, Capital Lease Obligations), provided that (i) such Liens shall be created (A) substantially simultaneously with the acquisition of such fixed or capital assets or (B) subsequent thereto to the extent securing financing that replaces or refinances the previous funding or financing for such acquisition, construction or improvement, (ii) such Liens do not at any time encumber any property other than the property financed by such Indebtedness and (iii) the aggregate amount secured by any such Liens is in customary proportion to the value of the assets subject to such lien, as reasonably determined in good faith by the Borrower;

(h) any interest or title of a lessor under any lease entered into by the Borrower or any other Significant Subsidiary in the ordinary course of its business and covering only the assets so leased;

(i) Liens not otherwise permitted by this Section so long as such Liens do not arise under the agreements referred to in clause (j) below and so long as neither (i) the aggregate outstanding principal amount of the obligations secured thereby nor (ii) the aggregate fair market value (determined as of the date such Lien is incurred) of the assets subject thereto exceeds (as to the Borrower and all Significant Subsidiaries) $50,000,000 at any one time; and

(j) Liens arising under hedging and similar agreements so long as neither (i) the aggregate outstanding principal amount of the obligations secured thereby nor (ii) the aggregate fair market value (determined as of the date such Lien is incurred) of the assets subject thereto exceeds (as to the Borrower and all Significant Subsidiaries) $150,000,000 at any one time.

6.3 Fundamental Changes. Enter into any merger, consolidation or amalgamation, or liquidate, wind up or dissolve itself (or suffer any liquidation or dissolution), or Dispose of, all or substantially all of its property or business, except that:

(a) any Subsidiary of the Borrower may be merged or consolidated with or into the Borrower or a Significant Subsidiary of the Borrower (provided that the Borrower, the Significant Subsidiary or another Significant Subsidiary, as the case may be, shall be the continuing or surviving corporation);

(b) any Significant Subsidiary of the Borrower may Dispose of any or all of its assets (upon voluntary liquidation or otherwise) to the Borrower; and

(c) any Disposition permitted under Section 6.4.

6.4 Disposition of Property. (a) Dispose of any property, whether now owned or hereafter acquired, or, in the case of any Significant Subsidiary, issue or sell any shares of such Significant Subsidiary's Capital Stock to any Person, except:

(i) the Disposition of obsolete or worn out property in the ordinary course of business;

(ii) the sale of inventory in the ordinary course of business;

(iii) Dispositions permitted by Section 6.3(b);

(iv) the sale or issuance of any Significant Subsidiary's Capital Stock to the Borrower or any other Significant Subsidiary; and

(v) Dispositions of Non-Core Assets.

6.5 Negative Pledge Clauses. Enter into or suffer to exist or become effective any agreement that prohibits or limits the ability to create, incur, assume or suffer to exist any Lien upon any of its property or revenues, whether now owned or hereafter acquired, other than (a) this Agreement, (b) any agreements governing any Liens otherwise permitted hereby (in which case, any prohibition or limitation shall only be effective against the assets subject thereto) and (c) any agreements listed on Schedule 6.5 and any extensions, renewals or replacements thereof having substantially similar provisions with respect thereto.

6.6 Limitation on Restrictions on Distributions from Subsidiaries. Create or otherwise cause or permit to exist or become effective any consensual encumbrance or consensual restriction on the ability of any Significant Subsidiary to pay dividends or make any other distribution on its Capital Stock, other than any encumbrance or restriction pursuant to an agreement in effect on the Closing Date as set forth on Schedule 6.6, or imposed by any Governmental Authority.

SECTION 7 EVENTS OF DEFAULT

If any of the following events shall occur and be continuing:

(a) the Borrower shall fail to pay any principal of any Loan when due in accordance with the terms hereof; or the Borrower shall fail to pay any interest on any Loan, or any other amount payable hereunder or under any other Loan Document, within five days after any such interest or other amount becomes due in accordance with the terms hereof; or

(b) any representation or warranty made or deemed made by the Borrower herein or that is contained in any certificate, document or financial or other statement furnished by it at any time under or in connection with this Agreement shall prove to have been inaccurate in any material respect on or as of the date made or deemed made; or

(c) the Borrower shall default in the observance or performance of any agreement contained in clause (i) or (ii) of Section 5.4(a), Section 5.7(a) or Section 6 of this Agreement; or

(d) the Borrower shall default in the observance or performance of any other agreement contained in this Agreement or any other Loan Document (other than as provided in paragraphs (a) through (c) of this Section), and such default shall continue unremedied for a period of 30 days after notice to the Borrower from the Administrative Agent or any Lender; or

(e) the Borrower or any of its Significant Subsidiaries shall (i) default in making any payment of any principal of any Indebtedness (including any Guarantee Obligation, but excluding the Loans) on the scheduled or original due date with respect thereto; or (ii) default in making any payment of any interest on any such Indebtedness beyond the period of grace, if any, provided in the instrument or agreement under which such Indebtedness was created; or (iii) default in the observance or performance of any other agreement or condition relating to any such Indebtedness or contained in any instrument or agreement evidencing, securing or relating thereto, or any other event shall occur or condition exist, the effect of such default or other event or condition is to cause, or to permit the holder or beneficiary of such Indebtedness (or a trustee or agent on behalf of such holder or beneficiary) to cause, with the giving of notice if required, such Indebtedness to become due prior to its stated maturity or (in the case of any such Indebtedness constituting a Guarantee Obligation) to become payable; provided, that a default, event or condition described in clause (i), (ii) or (iii) of this paragraph (e) shall not at any time constitute an Event of Default unless, at such time, one or more defaults, events or conditions of the type described in clauses (i), (ii) and (iii) of this paragraph (e) shall have occurred and be continuing with respect to Indebtedness the outstanding principal amount of which exceeds in the aggregate $25,000,000; or

(f) (i) the Borrower, any of its Significant Subsidiaries or, should such commencement have or reasonably be expected to have a Material Adverse Effect, any of its other Subsidiaries, shall commence any case, proceeding or other action (A) under any existing or future law of any jurisdiction, domestic or foreign, relating to bankruptcy, insolvency, reorganization or relief of debtors, seeking to have an order for relief entered with respect to it, or seeking to adjudicate it bankrupt or insolvent, or seeking reorganization, arrangement, adjustment, winding-up, liquidation, dissolution, composition or other relief with respect to it or its debts, or (B) seeking appointment of a receiver, trustee, custodian, conservator or other similar official for it or for all or any substantial part of its assets, or the Borrower, any of its Significant Subsidiaries or, should such assignment have or be reasonably expected to have a Material Adverse Effect, any of its other Subsidiaries, shall make a general assignment for the benefit of its creditors; or (ii) there shall be commenced against the Borrower, any of its Significant Subsidiaries, or, should such commencement have or be reasonably expected to have a Material Adverse Effect, any of its other Subsidiaries, any case, proceeding or other action of a nature referred to in clause (i) above that (A) results in the entry of an order for relief or any such adjudication or appointment or (B) remains undismissed, undischarged or unbonded for a period of 60 days; or (iii) there shall be commenced against the Borrower, any of its Significant Subsidiaries, or, should such commencement have or be reasonably expected to have a Material Adverse Effect, any of its other Subsidiaries, any case, proceeding or other action seeking issuance of a warrant of attachment, execution, distraint or similar process against all or any substantial part of its assets that results in the entry of an order for any such relief that shall not have been vacated, discharged, or stayed or bonded pending appeal within 60 days from the entry thereof; or (iv) the Borrower, any of its Significant Subsidiaries, or, should any such action have or be reasonably expected to have a Material Adverse Effect, any of its other Subsidiaries, shall take any action in furtherance of, or indicating its consent to, approval of, or acquiescence in, any of the acts set forth in clause (i), (ii), or (iii) above; or (v) the Borrower, any of its Significant Subsidiaries, or, should any such failure or inability have or be reasonably expected to have a Material Adverse Effect, any of its other Subsidiaries, shall generally not, or shall be unable to, or shall admit in writing its inability to, pay its debts as they become due; or

(g) (i) any Person shall engage in any “prohibited transaction” (as defined in Section 406 of ERISA or Section 4975 of the Code) involving any Plan, (ii) any “accumulated funding deficiency” (as defined in Section 302 of ERISA), whether or not waived, shall exist with respect to any Plan or any Lien in favor of the PBGC or a Plan shall arise on the assets of the Borrower or any Commonly Controlled Entity, (iii) a Reportable Event shall occur with respect to, or proceedings shall commence to have a trustee appointed, or a trustee shall be appointed, to administer or to terminate, any Single Employer Plan, which Reportable Event or commencement of proceedings or appointment of a trustee is, in the reasonable opinion of the Required Lenders, likely to result in the termination of such Plan for purposes of Title IV of ERISA, (iv) any Single Employer Plan shall terminate for purposes of Title IV of ERISA, (v) the Borrower or any Commonly Controlled Entity shall, or in the reasonable opinion of the Required Lenders is likely to, incur any liability in connection with a withdrawal from, or the Insolvency or Reorganization of, a Multiemployer Plan or (vi) any other event or condition shall occur or exist with respect to a Plan; and in each case in clauses (i) through (vi) above, such event or condition, together with all other such events or conditions, if any, could, in the sole judgment of the Required Lenders, reasonably be expected to have a Material Adverse Effect; or

(h) one or more judgments or decrees shall be entered against the Borrower or any of its Significant Subsidiaries involving in the aggregate a liability (not paid or fully covered by insurance as to which the relevant insurance company has acknowledged coverage) of $25,000,000 or more, and all such judgments or decrees shall not have been vacated, discharged, stayed or bonded pending appeal within 30 days from the entry thereof; or

(i) any "person" or "group" (as such terms are used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act")) shall become, or obtain rights (whether by means or warrants, options or otherwise) to become, the "beneficial owner" (as defined in Rules 13(d)-3 and 13(d)-5 under the Exchange Act), directly or indirectly, of more than 20% of the outstanding common stock of the Borrower;

then, and in any such event, (A) if such event is an Event of Default specified in clause (i) or (ii) of paragraph (f) above with respect to the Borrower, automatically the Commitments shall immediately terminate and the Loans hereunder (with accrued interest thereon) and all other amounts owing under this Agreement and the other Loan Documents shall immediately become due and payable, and (B) if such event is any other Event of Default, either or both of the following actions may be taken: (i) with the consent of the Required Lenders, the Administrative Agent may, or upon the request of the Required Lenders, the Administrative Agent shall, by notice to the Borrower declare the Commitments to be terminated forthwith, whereupon the Commitments shall immediately terminate; and (ii) with the consent of the Required Lenders, the Administrative Agent may, or upon the request of the Required Lenders, the Administrative Agent shall, by notice to the Borrower, declare the Loans hereunder (with accrued interest thereon) and all other amounts owing under this Agreement and the other Loan Documents to be due and payable forthwith, whereupon the same shall immediately become due and payable. Except as expressly provided above in this Section, presentment, demand, protest and all other notices of any kind are hereby expressly waived by the Borrower.

SECTION 8 THE ADMINISTRATIVE AGENT

8.1 Appointment. Each Lender hereby irrevocably designates and appoints the Administrative Agent as the agent of such Lender under this Agreement and the other Loan Documents, and each such Lender irrevocably authorizes the Administrative Agent, in such capacity, to take such action on its behalf under the provisions of this Agreement and the other Loan Documents and to exercise such powers and perform such duties as are expressly delegated to the Administrative Agent by the terms of this Agreement and the other Loan Documents, together with such other powers as are reasonably incidental thereto. Notwithstanding any provision to the contrary elsewhere in this Agreement, the Administrative Agent shall not have any duties or responsibilities, except those expressly set forth herein, or any fiduciary relationship with any Lender, and no implied covenants, functions, responsibilities, duties, obligations or liabilities shall be read into this Agreement or any other Loan Document or otherwise exist against the Administrative Agent.

8.2 Delegation of Duties. The Administrative Agent may execute any of its duties under this Agreement and the other Loan Documents by or through agents or attorneys-in-fact and shall be entitled to advice of counsel concerning all matters pertaining to such duties. The Administrative Agent shall not be responsible for the negligence or misconduct of any agents or attorneys in-fact selected by it with reasonable care.

8.3 Exculpatory Provisions. Neither the Administrative Agent nor any of its officers, directors, employees, agents, attorneys-in-fact or affiliates shall be (i) liable for any action lawfully taken or omitted to be taken by it or such Person under or in connection with this Agreement or any other Loan Document (except to the extent that any of the foregoing are found by a final and nonappealable decision of a court of competent jurisdiction to have resulted from its or such Person's own gross negligence or willful misconduct) or (ii) responsible in any manner to any of the Lenders for any recitals, statements, representations or warranties made by the Borrower or any officer thereof contained in this Agreement or any other Loan Document or in any certificate, report, statement or other document referred to or provided for in, or received by the Administrative Agent under or in connection with, this Agreement or any other Loan Document or for the value, validity, effectiveness, genuineness, enforceability or sufficiency of this Agreement or any other Loan Document or for any failure of the Borrower to perform its obligations hereunder or thereunder. The Administrative Agent shall not be under any obligation to any Lender to ascertain or to inquire as to the observance or performance of any of the agreements contained in, or conditions of, this Agreement or any other Loan Document, or to inspect the properties, books or records of the Borrower.

8.4 Reliance by Administrative Agent. The Administrative Agent shall be entitled to rely, and shall be fully protected in relying, upon any instrument, writing, resolution, notice, consent, certificate, affidavit, letter, telecopy, telex or teletype message, statement, order or other document or conversation believed by it to be genuine and correct and to have been signed, sent or made by the proper Person or Persons and upon advice and statements of legal counsel (including counsel to the Borrower), independent accountants and other experts selected by the Administrative Agent. The Administrative Agent may deem and treat the payee of any Note as the owner thereof for all purposes unless a written notice of assignment, negotiation or transfer thereof shall have been filed with the Administrative Agent. The Administrative Agent shall be fully justified in failing or refusing to take any action under this Agreement or any other Loan Document unless it shall first receive such advice or concurrence of the Required Lenders (or, if so specified by this Agreement, all Lenders) as it deems appropriate or it shall first be indemnified to its satisfaction by the Lenders against any and all liability and expense that may be incurred by it by reason of taking or continuing to take any such action. The Administrative Agent shall in all cases be fully protected in acting, or in refraining from acting, under this Agreement and the other Loan Documents in accordance with a request of the Required Lenders (or, if so specified by this Agreement, all Lenders), and such request and any action taken or failure to act pursuant thereto shall be binding upon all the Lenders and all future holders of the Loans.

8.5 Notice of Default. The Administrative Agent shall not be deemed to have knowledge or notice of the occurrence of any Default or Event of Default hereunder unless the Administrative Agent has received notice from a Lender or the Borrower referring to this Agreement, describing such Default or Event of Default and stating that such notice is a "notice of default". In the event that the Administrative Agent receives such a notice, the Administrative Agent shall give notice thereof to the Lenders. The Administrative Agent shall take such action with respect to such Default or Event of Default as shall be reasonably directed by the Required Lenders (or, if so specified by this Agreement, all Lenders); provided that unless and until the Administrative Agent shall have received such directions, the Administrative Agent may (but shall not be obligated to) take such action, or refrain from taking such action, with respect to such Default or Event of Default as it shall deem advisable in the best interests of the Lenders.

8.6 Non-Reliance on Administrative Agent and Other Lenders. Each Lender expressly acknowledges that neither the Administrative Agent nor any of its officers, directors, employees, agents, attorneys-in-fact or affiliates have made any representations or warranties to it and that no act by the Administrative Agent hereinafter taken, including any review of the affairs of the Borrower or any affiliate of the Borrower, shall be deemed to constitute any representation or warranty by the Administrative Agent to any Lender. Each Lender represents to the Administrative Agent that it has, independently and without reliance upon the Administrative Agent or any other Lender, and based on such documents and information as it has deemed appropriate, made its own appraisal of and investigation into the business, operations, property, financial and other condition and creditworthiness of the Borrower and its affiliates and made its own decision to make its Loans hereunder and enter into this Agreement. Each Lender also represents that it will, independently and without reliance upon the Administrative Agent or any other Lender, and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit analysis, appraisals and decisions in taking or not taking action under this Agreement and the other Loan Documents, and to make such investigation as it deems necessary to inform itself as to the business, operations, property, financial and other condition and creditworthiness of the Borrower and its affiliates. Except for notices, reports and other documents expressly required to be furnished to the Lenders by the Administrative Agent hereunder, the Administrative Agent shall not have any duty or responsibility to provide any Lender with any credit or other information concerning the business, operations, property, condition (financial or otherwise), prospects or creditworthiness of the Borrower or any affiliate of the Borrower that may come into the possession of the Administrative Agent or any of its officers, directors, employees, agents, attorneys-in-fact or affiliates.

8.7 Indemnification. The Lenders agree to indemnify the Administrative Agent in its capacity as such (to the extent not reimbursed by the Borrower and without limiting the obligation of the Borrower to do so), ratably according to their respective Aggregate Exposure Percentages in effect on the date on which indemnification is sought under this Section (or, if indemnification is sought after the date upon which the Commitments shall have terminated and the Loans shall have been paid in full, ratably in accordance with such Aggregate Exposure Percentages immediately prior to such date), from and against any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind whatsoever that may at any time (whether before or after the payment of the Loans) be imposed on, incurred by or asserted against the Administrative Agent in any way relating to or arising out of, the Commitments, this Agreement, any of the other Loan Documents or any documents contemplated by or referred to herein or therein or the transactions contemplated hereby or thereby or any action taken or omitted by the Administrative Agent under or in connection with any of the foregoing; provided that no Lender shall be liable for the payment of any portion of such liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements that are found by a final and nonappealable decision of a court of competent jurisdiction to have resulted from the Administrative Agent's gross negligence or willful misconduct. The agreements in this Section shall survive the payment of the Loans and all other amounts payable hereunder.

8.8 Administrative Agent in Its Individual Capacity. The Administrative Agent and its affiliates may make loans to, accept deposits from and generally engage in any kind of business with the Borrower as though the Administrative Agent was not the Administrative Agent. With respect to its Loans made or renewed by it, the Administrative Agent shall have the same rights and powers under this Agreement and the other Loan Documents as any Lender and may exercise the same as though it were not the Administrative Agent, and the terms "Lender" and "Lenders" shall include the Administrative Agent in its individual capacity.

8.9 Successor Administrative Agent. The Administrative Agent may resign as Administrative Agent upon 30 days' notice to the Lenders and the Borrower. If the Administrative Agent shall resign as Administrative Agent under this Agreement, then the Required Lenders shall appoint from among the Lenders a successor agent for the Lenders, which successor agent shall (unless an Event of Default under Section 7(a) or Section 7(f) with respect to the Borrower shall have occurred and be continuing) be subject to approval by the Borrower (which approval shall not be unreasonably withheld or delayed), whereupon such successor agent shall succeed to the rights, powers and duties of the Administrative Agent, and the term "Administrative Agent" shall mean such successor agent effective upon such appointment and approval, and the former Administrative Agent's rights, powers and duties as Administrative Agent shall be terminated, without any other or further act or deed on the part of such former Administrative Agent or any of the parties to this Agreement or any holders of the Loans. If no successor agent has accepted appointment as Administrative Agent by the date that is 30 days following a retiring Administrative Agent's notice of resignation, the retiring Administrative Agent's resignation shall nevertheless thereupon become effective and the Lenders shall assume and perform all of the duties of the Administrative Agent hereunder until such time, if any, as the Required Lenders appoint a successor agent as provided for above. After any retiring Administrative Agent's resignation as Administrative Agent, the provisions of this Section 8 shall inure to its benefit as to any actions taken or omitted to be taken by it while it was Administrative Agent under this Agreement and the other Loan Documents.

SECTION 9 MISCELLANEOUS

9.1 Amendments and Waivers. Neither this Agreement, any other Loan Document, nor any terms hereof or thereof may be amended, supplemented or modified except in accordance with the provisions of this Section 9.1. The Required Lenders and the Borrower may, or, with the written consent of the Required Lenders, the Administrative Agent and the Borrower may, from time to time, (a) enter into written amendments, supplements or modifications hereto for the purpose of adding any provisions to this Agreement or changing in any manner the rights of the Lenders or of the Borrower hereunder or (b) waive, on such terms and conditions as the Required Lenders or the Administrative Agent, as the case may be, may specify in such instrument, any of the requirements of this Agreement or any Default or Event of Default and its consequences; provided, however, that no such waiver and no such amendment, supplement or modification shall (i) eliminate or reduce any voting rights under this Section 9.1, forgive the principal amount or extend the final scheduled date of maturity of any Loan, reduce the stated rate of any interest or fee payable hereunder or extend the scheduled date of any payment thereof, or increase the amount or extend the expiration date of any Lender's Commitments, in each case without the consent of each Lender directly affected thereby; (ii) reduce any percentage specified in the definition of Required Lenders, consent to the assignment or transfer by the Borrower of any of its rights and obligations under this Agreement and the other Loan Documents, in each case without the consent of all Lenders; (iii) amend, modify or waive any provision of Section 8 without the consent of the Administrative Agent. Any such waiver and any such amendment, supplement or modification shall apply equally to each of the Lenders and shall be binding upon the Borrower, the Lenders, the Administrative Agent and all future holders of the Loans. In the case of any waiver, the Borrower, the Lenders and the Administrative Agent shall be restored to their former position and rights hereunder and under the other Loan Documents, and any Default or Event of Default waived shall be deemed to be cured and not continuing; but no such waiver shall extend to any subsequent or other Default or Event of Default, or impair any right consequent thereon.

9.2 Notices. All notices, requests and demands to or upon the respective parties hereto to be effective shall be in writing (including by telecopy), and, unless otherwise expressly provided herein, shall be deemed to have been duly given or made when delivered, or three Business Days after being deposited in the mail, postage prepaid, or, in the case of telecopy notice, when received, addressed as follows in the case of the Borrower and the Administrative Agent, and as set forth in an administrative questionnaire delivered to the Administrative Agent in the case of the Lenders, or to such other address as may be hereafter notified by the respective parties hereto:

The Borrower:	KeySpan Corporation One MetroTech Center Brooklyn, New York 11201 Attention: Treasurer Telecopy: (718) 246-9798
The Administrative Agent:	JPMorgan Chase Bank Brooklyn Middle Market Bank Group Four MetroTech Center Brooklyn, New York 11245 Attention: Peter D'Agostino Telecopy: (718) 242-3837
with a copy to:	JPMorgan Chase Bank Agency Bank Services One Chase Manhattan Plaza New York, New York Telecopy: (212) 552-7400

provided that any notice, request or demand to or upon the Administrative Agent or the Lenders shall not be effective until received.

9.3 No Waiver; Cumulative Remedies. No failure to exercise and no delay in exercising, on the part of the Administrative Agent or any Lender, any right, remedy, power or privilege hereunder or under the other Loan Documents shall operate as a waiver thereof; nor shall any single or partial exercise of any right, remedy, power or privilege hereunder preclude any other or further exercise thereof or the exercise of any other right, remedy, power or privilege. The rights, remedies, powers and privileges herein provided are cumulative and not exclusive of any rights, remedies, powers and privileges provided by law.

9.4 Survival of Representations and Warranties. All representations and warranties made hereunder and in any document, certificate or statement delivered pursuant hereto or in connection herewith shall survive the execution and delivery of this Agreement and the making of the Loans and other extensions of credit hereunder.

9.5 Payment of Expenses and Taxes. The Borrower agrees (a) to pay or reimburse the Administrative Agent for all its reasonable out-of-pocket costs and expenses incurred in connection with the development, preparation and execution of, and any amendment, supplement or modification to, this Agreement and the other Loan Documents and any other documents prepared in connection herewith or therewith, and the consummation and administration of the transactions contemplated hereby and thereby, including the reasonable fees and disbursements of counsel to the Administrative Agent and filing and recording fees and expenses, with statements with respect to the foregoing to be submitted to the Borrower prior to the Closing Date (in the case of amounts to be paid on the Closing Date) and from time to time thereafter on a quarterly basis or such other periodic basis as the Administrative Agent shall deem appropriate, (b) to pay or reimburse each Lender and the Administrative Agent for all its costs and expenses incurred in connection with the enforcement or preservation of any rights under this Agreement, the other Loan Documents and any such other documents, including the fees and disbursements of counsel (including the allocated fees and expenses of in-house counsel) to each Lender and of counsel to the Administrative Agent, (c) to pay, indemnify, and hold each Lender and the Administrative Agent harmless from, any and all recording and filing fees and any and all liabilities with respect to, or resulting from any delay in paying, stamp, excise and other taxes, if any, that may be payable or determined to be payable in connection with the execution and delivery of, or consummation or administration of any of the transactions contemplated by, or any amendment, supplement or modification of, or any waiver or consent under or in respect of, this Agreement, the other Loan Documents and any such other documents, and (d) to pay, indemnify, and hold each Lender and the Administrative Agent and their respective officers, directors, employees, affiliates, agents and controlling persons (each, an "Indemnitee") harmless from and against any and all other liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind or nature whatsoever with respect to the execution, delivery, enforcement, performance and administration of this Agreement, the other Loan Documents and any such other documents, including any of the foregoing relating to the use of proceeds of the Loans or the violation of, noncompliance with or liability under, any Environmental Law applicable to the operations of the Borrower any of its Subsidiaries or any of the Properties and the reasonable fees and expenses of legal counsel in connection with claims, actions or proceedings by any Indemnitee against the Borrower under any Loan Document (all the foregoing in this clause (d), collectively, the "Indemnified Liabilities"), provided, that the Borrower shall have no obligation hereunder to any Indemnitee with respect to Indemnified Liabilities to the extent such Indemnified Liabilities are found by a final and nonappealable decision of a court of competent jurisdiction to have resulted from the gross negligence or willful misconduct of such Indemnitee. Without limiting the foregoing, and to the extent permitted by applicable law, the Borrower agrees not to assert and to cause its Subsidiaries not to assert, and hereby waives and agrees to cause its Subsidiaries to so waive, all rights for contribution or any other rights of recovery with respect to all claims, demands, penalties, fines, liabilities, settlements, damages, costs and expenses of whatever kind or nature, under or related to Environmental Laws, that any of them might have by statute or otherwise against any Indemnitee. All amounts due under this Section 9.5 shall be payable promptly after written demand therefor. The agreements in this Section 9.5 shall survive repayment of the Loans and all other amounts payable hereunder.

9.6 Successors and Assigns; Participations and Assignments.This Agreement shall be binding upon and inure to the benefit of the Borrower, the Lenders, the Administrative Agent, all future holders of the Loans and their respective successors and assigns, except that the Borrower may not assign or transfer any of its rights or obligations under this Agreement without the prior written consent of each Lender.

(b) Any Lender may, without the consent of the Borrower, in accordance with applicable law, at any time sell to one or more banks, financial institutions or other entities (each, a "Participant") participating interests in any Loan owing to such Lender, any Commitments of such Lender or any other interest of such Lender hereunder and under the other Loan Documents; any Lender selling such a participating interest shall notify the Borrower of such sale promptly upon the completion thereof. In the event of any such sale by a Lender of a participating interest to a Participant, such Lender's obligations under this Agreement to the other parties to this Agreement shall remain unchanged, such Lender shall remain solely responsible for the performance thereof, such Lender shall remain the holder of any such Loan for all purposes under this Agreement and the other Loan Documents, and the Borrower and the Administrative Agent shall continue to deal solely and directly with such Lender in connection with such Lender's rights and obligations under this Agreement and the other Loan Documents. In no event shall any Participant under any such participation have any right to approve any amendment or waiver of any provision of any Loan Document, or any consent to any departure by the Borrower therefrom, provided, that any agreement or instrument pursuant to which a Lender sells such a participation to a Participant may provide that such Lender will not, without the consent of such Participant, agree to any amendment, waiver or consent which would reduce the principal of, or interest on, the Loans or any fees payable hereunder, postpone the date of the final maturity of the Loans or postpone any payment of principal, in each case to the extent subject to such participation. The Borrower agrees that if amounts outstanding under this Agreement and the Loans are due or unpaid, or shall have been declared or shall have become due and payable upon the occurrence of an Event of Default, each Participant shall, to the maximum extent permitted by applicable law, be deemed to have the right of setoff in respect of its participating interest in amounts owing under this Agreement to the same extent as if the amount of its participating interest were owing directly to it as a Lender under this Agreement, provided that, in purchasing such participating interest, such Participant shall be deemed to have agreed to share with the Lenders the proceeds thereof as provided in Section 9.7(a) as fully as if it were a Lender hereunder. The Borrower also agrees that each Participant shall be entitled to the benefits of Sections 2.13, 2.14 and 2.15 with respect to its participation in the Commitments and the Loans outstanding from time to time as if it was a Lender; provided that, in the case of Section 2.14, such Participant shall have complied with the requirements of said Section and provided, further, that no Participant shall be entitled to receive any greater amount pursuant to any such Section than the transferor Lender would have been entitled to receive in respect of the amount of the participation transferred by such transferor Lender to such Participant had no such transfer occurred.

(c) Any Lender (an "Assignor") may, in accordance with applicable law, at any time and from time to time with the consent of the Administrative Agent (which shall not be unreasonably withheld or delayed) assign to any Lender, any affiliate of any Lender or any Approved Fund or, with the consent of the Borrower and the Administrative Agent (which, in each case, shall not be unreasonably withheld or delayed), to an additional bank, financial institution or other entity (an "Assignee") all or, except in the case of an outstanding Competitive Loan, any part of its rights or obligations under this Agreement pursuant to an Assignment and Acceptance, executed by such Assignee, such Assignor and any other Person whose consent is required pursuant to this paragraph, and delivered to the Administrative Agent for its acceptance and recording in the Register; provided that no such assignment to an Assignee (other than any Lender, any affiliate of any Lender or any Approved Fund) shall be in an aggregate principal amount of less than $1,000,000 (other than in the case of an assignment of all of a Lender's interests under this Agreement), unless otherwise agreed by the Borrower and the Administrative Agent. For purposes of the proviso contained in the preceding sentence, the amount described therein shall be aggregated in respect of each Lender and its related Approved Funds, if any. Upon such execution, delivery, acceptance and recording, from and after the effective date determined pursuant to such Assignment and Acceptance, (x) the Assignee thereunder shall be a party hereto and, to the extent provided in such Assignment and Acceptance, have the rights and obligations of a Lender hereunder with Commitments and/or Loans as set forth therein, and (y) the Assignor thereunder shall, to the extent provided in such Assignment and Acceptance, be released from its obligations under this Agreement (and, in the case of an Assignment and Acceptance covering all of an Assignor's rights and obligations under this Agreement, such Assignor shall cease to be a party hereto). Notwithstanding any provision of this Section 9.6, the consent of the Borrower shall not be required for any assignment occurring after the occurrence and during the continuance of a Default or Event of Default.

(d) The Administrative Agent shall, on behalf of the Borrower, maintain at its address referred to in Section 9.2 a copy of each Assignment and Acceptance delivered to it and a register (the "Register") for the recordation of the names and addresses of the Lenders and the Commitments of, and the principal amount of the Loans owing to, each Lender from time to time. The entries in the Register shall be conclusive, in the absence of manifest error, and the Borrower, the Administrative Agent and the Lenders shall treat each Person whose name is recorded in the Register as the owner of the Loans and any Notes evidencing the Loans recorded therein for all purposes of this Agreement. Any assignment of any Loan, whether or not evidenced by a Note, shall be effective only upon appropriate entries with respect thereto being made in the Register (and each Note shall expressly so provide). Any assignment or transfer of all or part of a Loan evidenced by a Note shall be registered on the Register only upon surrender for registration of assignment or transfer of the Note evidencing such Loan, accompanied by a duly executed Assignment and Acceptance, and thereupon one or more new Notes shall be issued to the designated Assignee.

(e) Upon its receipt of an Assignment and Acceptance executed by an Assignor, an Assignee and any other Person whose consent is required by Section 9.6(c), together with payment to the Administrative Agent of a registration and processing fee of $3,500, the Administrative Agent shall (i) promptly accept such Assignment and Acceptance and (ii) record the information contained therein in the Register on the effective date determined pursuant thereto.

(f) For avoidance of doubt, the parties to this Agreement acknowledge that the provisions of this Section 9.6 concerning assignments of Loans and Notes relate only to absolute assignments and that such provisions do not prohibit assignments creating security interests, including any pledge or assignment by a Lender of any Loan or Note to any Federal Reserve Bank in accordance with applicable law.

(g) The Borrower, upon receipt of written notice from the relevant Lender, agrees to issue Notes to any Lender requiring Notes to facilitate transactions of the type described in paragraph (f) above.

9.7 Adjustments; Set-off. (a) Except to the extent that this Agreement expressly provides for payments to be allocated to a particular Lender, if any Lender (a "Benefitted Lender") shall, at any time after the Loans and other amounts payable hereunder shall immediately become due and payable pursuant to Section 7, receive any payment of all or part of the Obligations owing to it (whether voluntarily or involuntarily, by set-off, pursuant to events or proceedings of the nature referred to in Section 7(f), or otherwise), in a greater proportion than any such payment to any other Lender, if any, in respect of the Obligations owing to such other Lender, such Benefitted Lender shall purchase for cash from the other Lenders a participating interest in such portion of the Obligations owing to each such other Lender, as shall be necessary to cause such Benefitted Lender to share the excess payment ratably with each of the Lenders; provided, however, that if all or any portion of such excess payment is thereafter recovered from such Benefitted Lender, such purchase shall be rescinded, and the purchase price returned, to the extent of such recovery, but without interest.

(b) In addition to any rights and remedies of the Lenders provided by law, each Lender shall have the right, without prior notice to the Borrower, any such notice being expressly waived by the Borrower to the extent permitted by applicable law, upon any amount becoming due and payable by the Borrower hereunder (whether at the stated maturity, by acceleration or otherwise), to set off and appropriate and apply against such amount any and all deposits (general or special, time or demand, provisional or final), in any currency, and any other credits, indebtedness or claims, in any currency, in each case whether direct or indirect, absolute or contingent, matured or unmatured, at any time held or owing by such Lender or any branch or agency thereof to or for the credit or the account of the Borrower, as the case may be. Each Lender agrees promptly to notify the Borrower and the Administrative Agent after any such setoff and application made by such Lender, provided that the failure to give such notice shall not affect the validity of such setoff and application.

9.8 Counterparts. This Agreement may be executed by one or more of the parties to this Agreement on any number of separate counterparts, and all of said counterparts taken together shall be deemed to constitute one and the same instrument. Delivery of an executed signature page of this Agreement by facsimile transmission shall be effective as delivery of a manually executed counterpart hereof. A set of the copies of this Agreement signed by all the parties shall be lodged with the Borrower and the Administrative Agent.

9.9 Severability. Any provision of this Agreement that is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

9.10 Integration. This Agreement and the other Loan Documents represent the agreement of the Borrower, the Administrative Agent and the Lenders with respect to the subject matter hereof, and there are no promises, undertakings, representations or warranties by the Administrative Agent or any Lender relative to subject matter hereof not expressly set forth or referred to herein or in the other Loan Documents.

9.11 **GOVERNING LAW.** THIS AGREEMENT AND THE RIGHTS AND OBLIGATIONS OF THE PARTIES UNDER THIS AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED AND INTERPRETED IN ACCORDANCE WITH, THE LAW OF THE STATE OF NEW YORK.

9.12 Submission To Jurisdiction; Waivers. The Borrower hereby irrevocably and unconditionally:

(a) submits for itself and its property in any legal action or proceeding relating to this Agreement and the other Loan Documents, or for recognition and enforcement of any judgment in respect thereof, to the non-exclusive general jurisdiction of the courts of the State of New York, the courts of the United States for the Southern District of New York, and appellate courts from any thereof;

(b) consents that any such action or proceeding may be brought in such courts and waives any objection that it may now or hereafter have to the venue of any such action or proceeding in any such court or that such action or proceeding was brought in an inconvenient court and agrees not to plead or claim the same;

(c) agrees that service of process in any such action or proceeding may be effected by mailing a copy thereof by registered or certified mail (or any substantially similar form of mail), postage prepaid, to the Borrower, as the case may be at its address set forth in Section 9.2 or at such other address of which the Administrative Agent shall have been notified pursuant thereto;

(d) agrees that nothing herein shall affect the right to effect service of process in any other manner permitted by law or shall limit the right to sue in any other jurisdiction; and

(e) waives, to the maximum extent not prohibited by law, any right it may have to claim or recover in any legal action or proceeding referred to in this Section any special, exemplary, punitive or consequential damages.

9.13 Acknowledgements. The Borrower hereby acknowledges that:

(a) it has been advised by counsel in the negotiation, execution and delivery of this Agreement and the other Loan Documents;

(b) neither the Administrative Agent nor any Lender has any fiduciary relationship with or duty to the Borrower arising out of or in connection with this Agreement or any of the other Loan Documents, and the relationship between the Administrative Agent and the Lenders, on one hand, and the Borrower, on the other hand, in connection herewith or therewith is solely that of debtor and creditor; and

(c) no joint venture is created hereby or by the other Loan Documents or otherwise exists by virtue of the transactions contemplated hereby among the Lenders or among the Borrower and the Lenders.

9.14 Confidentiality. Each of the Administrative Agent and each Lender agrees to keep confidential all non-public information provided to it by the Borrower pursuant to this Agreement that is designated by the Borrower as confidential; provided that nothing herein shall prevent the Administrative Agent or any Lender from disclosing any such information (a) to the Administrative Agent, any other Lender, any affiliate of any Lender or any Approved Fund, (b) to any Transferee or prospective Transferee that agrees to comply with the provisions of this Section, (c) to its employees, directors, agents, attorneys, accountants and other professional advisors or those of any of its affiliates, (d) upon the request or demand of any Governmental Authority, (e) in response to any order of any court or other Governmental Authority or as may otherwise be required pursuant to any Requirement of Law, (f) if requested or required to do so in connection with any litigation or similar proceeding, (g) that has been publicly disclosed, (h) to the National Association of Insurance Commissioners or any similar organization or any nationally recognized rating agency that requires access to information about a Lender's investment portfolio in connection with ratings issued with respect to such Lender, or (i) in connection with the exercise of any remedy hereunder or under any other Loan Document.

9.15 **WAIVERS OF JURY TRIAL.** THE BORROWER, THE ADMINISTRATIVE AGENT AND THE LENDERS HEREBY IRREVOCABLY AND UNCONDITIONALLY WAIVE TRIAL BY JURY IN ANY LEGAL ACTION OR PROCEEDING RELATING TO THIS AGREEMENT OR ANY OTHER LOAN DOCUMENT AND FOR ANY COUNTERCLAIM THEREIN.

9.16 USA PATRIOT Act. Each Lender hereby notifies the Borrower that pursuant to the requirements of the USA Patriot Act (Title III of Pub. L. 107-56 (signed into law October 26, 2001)) (the "Act"), it is required to obtain, verify and record information that identifies the Borrower, which information includes the name and address of the Borrower and other information that will allow such Lender to identify the Borrower in accordance with the Act.

9.17 Co-Syndication Agents and Co-Documentation Agents. None of the Co-Documentation Agents nor the Co-Syndication Agents, in their capacities as such, shall have any duties or obligations of any kind under this Agreement.

(End of Page)

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed and delivered by their proper and duly authorized officers as of the day and year first above written.

KEYSPAN CORPORATION

By:____________________________________
Name:
Title:

JPMORGAN CHASE BANK, N.A, as Administrative Agent and as a Lender

By:____________________________________
Name:
Title:

Schedule 1.1 - Commitments

Lenders	Commitment
JPMorgan Chase Bank, N.A.	$130,000,000
Citibank, N.A.	$70,000,000
The Royal Bank of Scotland plc	$70,000,000
The Bank of New York	$70,000,000
The Bank of Nova Scotia	$70,000,000
Morgan Stanley Bank	$70,000,000
Wachovia Bank, N.A.	$70,000,000
Bank of America, N.A.	$70,000,000
Credit Suisse First Boston	$70,000,000
Merrill Lynch Bank USA	$70,000,000
ABN Amro Bank N.V.	$50,000,000
BNP Paribas	$50,000,000
Mellon Bank, N.A.	$30,000,000
Sovereign Bank	$30,000,000
	$920,000,000

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed and delivered by their proper and duly authorized officers as of the day and year first above written.

KEYSPAN CORPORATION

By:
Name: **Michael J. Taunton**
Title: **Senior Vice President**
Treasurer & Chief Risk Officer

JPMORGAN CHASE BANK, N.A., as
Administrative Agent and as a Lender

By:______________________________
Name:
Title:

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed and delivered by their proper and duly authorized officers as of the day and year first above written.

KEYSPAN CORPORATION

By:______________________________
Name:
Title:

JPMORGAN CHASE BANK, N.A., as Administrative Agent and as a Lender

By:______________________________
Name:
Title:
PETER J. D'AGOSTINO
Senior Vice President/Division Manager
JPMorgan Chase Bank, N.A.

THE ROYAL BANK OF SCOTLAND plc, as Co-Syndication Agent and as a Lender

By: K Howard
Name: Kevin Howard
Title: Managing Director

CITIBANK N.A., as Co-Syndication Agent and as a Lender

By: Robert J. Harnity Jr.
Name:
Title:

ROBERT J. HARNITY, JR.
Managing Director

THE BANK OF NOVA SCOTIA, as Co-Documentation Agent and as a Lender

By:____________________________
Name: Thane Rattew
Title: Managing Director

THE BANK OF NEW YORK, as Co-Documentation Agent and as a Lender

By: John Watt

Name: John N. Watt

Title: Vice President

MORGAN STANLEY BANK, as a Lender

By:______________________________
Name: Daniel Twenge
Title: Vice President
Morgan Stanley Bank

ABN AMRO Bank, N.V.,
as a Lender

By: James L. Moyes
Name: James ~~L.~~ Moyes
Title: Managing Director

By: [signature]
Name: Joshua Wolf
Title: Vice President

WACHOVIA BANK, N.A.,
as a Lender

By: [signature]
Name: YANN PIRIO
Title: VICE PRESIDENT

Sovereign Bank, as a Lender

By: Elisabet C Hayes
Name: Elisabet C. Hayes
Title: VP

CREDIT SUISSE, CAYMAN ISLANDS BRANCH, as a Lender

By: ____________________________
Name: Jay Chall
Title: Director

By: ____________________________
Name: Karim Blasetti
Title: Associate

Mellon Bank, N.A., as a Lender

By: Richard A. Matthews
Name: Richard A. Matthews
Title: First Vice President

BNP PARIBAS,
as a Lender

By:____________________
Name: MARK A. RENAUD
Title: Managing Director

By:____________________
Name: RALPH E. SCHOLTZ
Title: Managing Director

5-Year Credit Agreement

MERRILL LYNCH BANK USA, as a Lender

By: ______________________
Name: Louis Alder
Title: Director

REDACTED

AMENDED AND RESTATED
GAS RESOURCE PORTFOLIO MANAGEMENT
AND
GAS SALES AGREEMENT
BETWEEN
ENERGYNORTH NATURAL GAS, INC.
AS BUYER
AND
MERRILL LYNCH COMMODITIES, INC.
AS SELLER

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AGREEMENT

THIS AMENDED AND RESTATED AGREEMENT ("Agreement") made and entered into this 1st day of April, 2005 (the "Effective Date"), by and between **ENERGYNORTH NATURAL GAS, INC.,** a New Hampshire corporation, d/b/a KeySpan Energy Delivery New England hereinafter referred to as "Buyer", and MERRILL LYNCH COMMODITIES, INC. A Delaware Corporation and successor in interest to ENTERGY-KOCH TRADING, LP hereinafter referred to as "Seller" or "MLCI ". MLCI and Buyer shall be collectively referred to as the "Parties".

W I T N E S S E T H   T H A T:

WHEREAS, Buyer and Seller are Parties to a certain gas resource portfolio management and gas sales agreement dated as of April 1, 2004 (the "2004 Agreement"); and

WHEREAS, the under the 2004 Agreement, Buyer had the option to convert the contractual relationship to an alliance structure, and Buyer exercised that option;

WHEREAS, the Parties desire to memorialize the terms of the structure herein;

WHEREAS, beginning as the Effective Date of this Agreement, the terms of this Agreement shall replace and supercede the terms of the 2004 Agreement (however for the time period prior to Effective Date, the terms of the 2004 Agreement shall govern)

NOW, THEREFORE, in consideration of the mutual covenants and benefits to be derived hereunder, Buyer and Seller agree as follows:

ARTICLE I
DEFINITIONS

Unless expressly stated otherwise, the following terms as used in this Agreement shall mean:

1.1 The term "Bid Week" shall mean the period between the fifth to last and third to last business days of each month.

1.2 The term "Btu" shall mean British Thermal Unit(s) which shall mean that amount of heat energy required to raise the temperature of one avoirdupois pound of water from fifty-nine-degrees Fahrenheit to sixty-degrees Fahrenheit at standard atmospheric pressure, as determined on a dry basis. All prices and charges paid hereunder shall be computed on a "dry" Btu basis.

1.3 The term “Buyer’s Unbundling Program” shall mean the methodology by which Buyer, each Month, implements the mandatory assignment of a pro-rata share of its pipeline and underground storage resources and certain Gas supplies to third party suppliers on behalf of existing transportation customers and customers converting from sales to transportation service.

1.4 The term "Canadian Index" shall mean the price charged to Buyer directly from the respective Supplier, not MLCI . Buyer is responsible for nominating and scheduling those volumes reflected in Appendix 1 and identified as Canadian Supply under the heading Gas Commodity Contract Volumes, however, upon notice from MLCI to Buyer five Days prior to the first of a Month, MLCI may nominate and schedule those volumes reflected in Appendix 1 and identified as Canadian Supply under the heading Gas Commodity Contract Volumes. Both Buyer and Seller understand that these volumes are subject to change each Month during the Term of this Agreement as a direct result of Buyer’s Unbundling Program.

1.4.1 The term "Day" shall mean the period of time beginning at 9:00 a.m., Central Clock Time, on a calendar day and ending at 9:00 a.m., Central Clock Time, on the following calendar day.

1.5 The term "Delivery Points" shall mean those city gate meter stations connected to the Tennessee Gas Pipeline as listed in Appendix 1, in addition to those meter stations identified as meter stations associated with storage refill

1.6 The term “Ending Underground Storage Balance” means the total storage inventory balance that is in Buyer’s total underground storage accounts as of the earlier of (a) the date of termination of this Agreement, or (b) the end of the Day on March 31, 2006.

1.7 The term "FERC" shall mean the Federal Energy Regulatory Commission.

1.8 The term “Firm” means that a party may interrupt its performance without liability only to the extent that such performance is prevented for reasons of Force Majeure; provided, however, that during Force Majeure interruptions, the party invoking Force Majeure may be responsible for any Imbalance Charges.

1.9 The term “Force Majeure” shall mean an event as defined in section 12.3 of this Agreement.

1.10 The term "Gas" shall mean quality Gas as defined in the FERC Gas Tariffs of Tennessee Gas Pipeline, Dominion Gas Transmission, Inc., National Fuel Gas Supply, Iroquois Gas Transmission, Honeoye Storage Company, Portland Natural Gas Transmission System and Maritimes and Northeast Pipeline L.L.C.

1.11 The term "Gas Commodity Contract Volumes" means Buyer's Gas supply contract volumes as identified on Appendix 1.

1.12 The term "Term" shall mean the period commencing on April 1, 2005 and ending on March 31, 2006

1.13 The term "Initial Underground Storage Balance" shall mean 971,646 MMBtu (ending balance as of 3/31/05).

1.14 The term "MMBtu" shall mean one million (1,000,000) Btus.

1.15 The term "Month" shall mean the period of time beginning on the first Day of each calendar month and ending on the last Day of such calendar month.

1.16 The term "Net Profits" shall be defined as the sales revenues (or losses) realized by MLCI during the term of this Agreement less purchases and all other variable costs incurred by MLCI less the Total Guaranty Payment. Variable costs do not include any direct overhead costs from MLCI but shall include variable costs such as (without limitation) cost of interest to finance costs of gas in storage, transportation and storage variable charges, and hedging costs.

1.17 The term "NYMEX" shall mean the New York Mercantile Exchange for Natural Gas Futures Contracts.

1.18 The term "Off-Peak Period" shall mean the period of time beginning on the first Day of May and ending on the last Day of October.

1.19 The term "Off-Peak Period Baseload Index" shall mean the weighted average Gas price as reflected in Inside FERC First of the Month's Pricing Report for Tennessee zone 0 and zone 1 supply areas associated with Buyer's long haul transportation contracts listed in Appendix 1 and not allocated to the Canadian Index.

1.20 The term "Off-Peak Period Swing Index" shall mean the weighted average Gas price as reflected in Platt's Gas Daily Pricing Report for Tennessee zone 0 and zone 1 supply areas associated with Buyer's long haul transportation contracts listed in Appendix 1 and not allocated to the Canadian Index.

1.21 The term "Peak Period" shall mean the period of time beginning on the first Day of November and ending on the last Day of April.

1.22 The term "Peak Period Baseload Index " shall mean the weighted average Gas price as reflected in Inside FERC First of the Month's Pricing Report for Gas Delivered to Pipelines for the applicable Month for the applicable supply area capacity associated with the transportation contracts listed in Appendix 1 not allocated to the Canadian Index.

1.23 The term “Peak Period Swing Index” shall mean the weighted average Gas price as reflected in Platt's Gas Daily Pricing Report for the applicable supply capacity associated with the transportation contracts listed in Appendix 1 not allocated to the Canadian Index.

1.24 The term “PNGTS” shall mean the Portland Natural Gas Transmission System.

1.25 The term "PUC" shall mean the New Hampshire Public Utilities Commission.

1.26 The term "Storage WACOG" shall mean the Buyer's weighted average cost of underground storage Gas.

1.27 The term “Tennessee” shall mean the Tennessee Gas Pipeline Company.

1.28 The term "Transporters" shall mean any of the following: Tennessee Gas Pipeline, Dominion Gas Transmission Inc., National Fuel Gas Supply, Iroquois Gas Transmission, Honeoye Storage Company, Portland Natural Gas Transmission System and Maritimes and Northeast Pipeline L.L.C.

1.29 The term "Variable Charges" shall mean all applicable Transporter transportation commodity and fuel charges and all Transporter storage injection, withdrawal and fuel charges and any other surcharges associated with delivery of Buyer's Gas to the Delivery Points, based upon the pricing hierarchy as reflected in Section 3.1

ARTICLE II
QUANTITY AND NOMINATIONS

2.1 Nominated Quantity. Subject to the terms and conditions of this Agreement, Buyer will nominate, purchase and receive and Seller will sell and deliver on a Firm basis on each Day of the Term hereof, a quantity of Gas up to the MDQ as defined in section 2.2 below. Buyer shall be obligated to purchase all quantities up to the MDQ from Seller, unless otherwise agreed to between the Parties.

2.2 Maximum Daily Quantity (“MDQ”). Notwithstanding anything to the contrary herein, the MDQ of Gas up to which the Buyer is entitled to purchase and receive and that Seller is obligated to sell and deliver (subject to Buyer's nomination pursuant to the restrictions set forth below) on each Day of the Term hereof, shall be the volumes as listed in Appendix 1. Both Buyer and Seller understand that the MDQ shall be adjusted Monthly and or Daily to reflect Buyer's Unbundling Program.

2.2.1 Quantities in Excess of the MDQ. From time to time during the Term of this Agreement, Seller may sell and Buyer may purchase quantities in excess of the

MDQ, provided that both Buyer and Seller agree to such quantities and to the price and terms of such excess sales prior to delivery. Nothing contained in this section 2.2.1 shall prevent Buyer from purchasing quantities of Gas in excess of the MDQ from a third party(s) other than Seller.

2.3 Nomination and Delivery Requirements.

2.3.1 Monthly Nomination. On or before 12:00 Noon C.S.T. and three business Days prior to the last day of trading of the NYMEX natural gas contract for the following Month, Buyer will provide Seller with a nomination specifying the total daily quantity of Gas to be purchased and received under this Agreement for each Day during the following Month, ("Daily Nominated Quantity"). Such nomination by Buyer shall include the volumes indicated as Peak and Off-Peak Period Baseload Index volumes, as applicable, pursuant to section 3.1.1 below.

2.3.2 Daily Adjustments. On or before 9:00 AM C.S.T. prior to the next delivery Day, Buyer may adjust its Daily Nominated Quantity prospectively for any Day during the remainder of that Month.

2.3.3 Intra-Day Adjustments. On or before the applicable intra-Day Transporters nomination deadline, Buyer may adjust its Daily Nominated Quantity for the remainder of that Day. In the event that Buyer requests an intra-Day adjustment, the Parties shall work together to utilize the intra-Day flexibility associated with the contracts listed in Appendix 1 in making such adjustments, as well as the intra-Day flexibilities afforded by the respective Transporters.

2.3.4 Manner of Submitting Nominations. Buyer must provide the nominations set forth above in this section orally and then by fax. Oral nominations shall be made by the Buyer to MLCI's Designated Representatives (as defined in the Notice section below). The oral nominations shall be followed by written confirmation from the Buyer within twenty-four (24) hours.

2.3.5 Manner of Submitting Confirmations. By 3:30 P.M. Eastern time each Day, Seller shall provide volume allocations by contract and delivery point consistent with Buyer's nominations for the following Day to Buyer's Designated Representatives (as defined in the Notice section below).

2.3.6 Points of Delivery. Seller will deliver volumes of Gas nominated by Buyer to points designated by Buyer as provided by the applicable contracts or such other points as the Parties may mutually agree.

2.4 Remedies for Failure to Deliver.

2.4.1 Seller's Failure to Deliver. Except for an event of Force Majeure, if Seller fails to deliver to Buyer the Daily Nominated Quantity, and such failure to deliver is not excused under this Agreement, then Seller shall reimburse **(REDACTED)**

. Buyer agrees to act in good faith in purchasing such substitute supplies of Gas so as to minimize Seller's reimbursement costs hereunder.

2.4.2 Liquidating Damages. Subject to Article XII, should Seller's failure to deliver occur on a Day Buyer is unable, utilizing all reasonable efforts, to obtain a delivered substitute supply, then in addition to any amounts owed by Seller to Buyer pursuant to Section 2.4.1, Seller shall pay to Buyer $ (**REDACTED)** multiplied by the quantity Seller fails to deliver. Such amount represents Buyer's damages difficult to quantify and constitute liquidated damages and not a penalty.

2.4.3 Right to Terminate. In the event Seller fails to deliver for any continuous period in excess of one (1) Day, Buyer may terminate this Agreement in accordance with the provisions of section 6.2 below. The Parties acknowledge that Buyer shall not have the right to terminate if Seller's failure to perform is excused by Force Majeure. The Parties further acknowledge that Buyer shall not have a right to terminate so long as Seller delivers at least ninety percent (90%) of Buyer's nominated quantity (subject to the MDQ herein) on every Day, so long as such failure to deliver does not exceed eighteen thousand (18,000) MMBtus over the Term of the Agreement.

2.4.4 Sole and Exclusive Remedy. The remedies set forth in Sections 2.4.1, 2.4.2 and 2.4.3 shall be Buyer's sole and exclusive remedy for Seller's failure to deliver Gas hereunder.

2.4.5 Corporate Guaranty. Seller shall cause Merrill Lynch & Co., Inc. to execute and maintain in effect throughout the Term of this Agreement a valid and binding unconditional guaranty of Seller's obligations under this Agreement to Boston Gas Company substantially in the form attached hereto as Appendix 2

2.4.6 Credit Assurance. If a party ("Reviewing Party") has reasonable grounds to believe that one or more of the other party's ("Debtor Party") creditworthiness or performance under this Agreements has become unsatisfactory, the Reviewing Party will provide the Debtor Party with written notice requesting financial assurance in a form and amount reasonably determined by the Reviewing Party. Upon receipt of such notice, the Debtor Party shall have three (3) business days to remedy the situation by providing such financial assurance to the Reviewing Party. In the event that the Debtor Party fails to provide such financial assurance acceptable to the Reviewing Party within three (3) business days of receipt of notice, then an Event of Default as described below will be deemed to have occurred, and the Reviewing Party will be entitled to the remedies set forth below. For purposes of this Section 2.4.6 a drop in Merrill Lynch & Co., Inc.'s credit rating to BBB+ or below by S&P or to Baa1 or below by Moody's shall constitute reasonable grounds for the Buyer to request financial assurance from MLCI . A drop in Boston Gas Company's credit rating to BBB+ or below by S&P or to Baa1 or below by Moody's shall constitute reasonable grounds for MLCI to seek financial assurance from the Buyer.

2.4.7 For purposes of managing credit exposure, the Parties agree that in connection with gas supply to Seller under this Agreement, MLCI may determine (at MLCI's option) one or both of the following courses of action: (i) MLCI shall have the right, as agent for Buyer, to purchase gas supplies from third parties, or (ii) the Buyer shall directly purchase gas supplies from third parties. However, prior to any such purchases made under this Section 2.4.7, the Parties shall mutually agree in writing to the quantity and terms of such purchases.

ARTICLE III
PRICE

3.1 Commodity Price.

3.1.1 Quantities Within MDQ. The price for Gas delivered hereunder up to the MDQ will be referred to as the "Commodity Price" and shall be equal to the following pricing hierarchy:

Canadian Index: 0 up to the sum total of Buyer's entitlements on the Canadian contracts identified in Appendix 1 stated in MMBtu's per Day shall be equal to the Canadian Index plus applicable Variable Charges.

Peak Period Baseload Index: In the Peak Period, the next volumes up to the amount indicated by Buyer in accordance with this section, but not to exceed Buyer's MDQ less the Storage WACOG tier less the Canadian Index tier, shall be equal to the Peak Period Baseload Index and shall be priced at the Peak Period Baseload Index plus applicable Variable Charges. Each Month, during Bid Week, Buyer shall provide to MLCI a baseload election that shall set forth the quantity of Gas that Buyer shall purchase on a Firm basis from Seller during the following Month at the Peak Period Baseload Index. Such baseload election shall be in writing and shall be signed by a duly authorized representative of Buyer. If Buyer fails to take delivery of volumes it indicates as Peak Period Baseload Index volumes, and such failure to take is not excused under the Agreement, then, Buyer shall reimburse Seller the amount, if any, by which the price Seller is able to obtain by reselling volumes not taken ("Deficiency Quantity") is exceeded by the Peak Period Baseload Index. Seller shall act in good faith to resell such volumes in a commercially reasonable manner so as to minimize Buyer's reimbursement costs hereunder. Subject to Article XII, should Buyer's failure to take deliveries occur on a Day that Seller is unable, utilizing all reasonable efforts, to sell the entire Deficiency Quantity to a third party, then the closest Gas Daily price for the applicable deliveries shall be compared to the Peak Period Baseload Index in determining Seller's damages. If the Peak Period Baseload Index is greater then such Gas Daily index, then Buyer shall pay Seller an amount equal to such difference multiplied by portion of the Deficiency Quantity that Seller was unable to sell. Seller's damages are difficult to quantify and constitute liquidated damages and are not a penalty.

Off-Peak Period Baseload Index

In the Off-Peak Period the next volumes, up to the amount indicated by Buyer pursuant to this section, but not to exceed Buyer's MDQ less the Storage WACOG tier, less the Canadian Index tier, shall be equal to the Off-Peak Period Baseload Index and shall be priced at the Off-Peak Period Baseload Index plus applicable Variable Charges. Each Month During Bid Week Buyer will provide to Seller a baseload election that will set forth the quantity of Gas that Buyer shall purchase on a Firm basis from Seller for the following Month at the Off Peak Period Base Load Index. If Buyer fails to take delivery of volumes it indicates as Off-Peak Period Baseload Index volumes, and such failure to take is not excused under the Agreement, then, Buyer shall reimburse Seller the amount, if any, by which the price Seller is able to obtain by reselling volumes not taken ("Deficiency Quantity") is exceeded by the Off-Peak Period Baseload Index. Seller shall act in good faith to resell such volumes in a commercially reasonable manner so as to minimize Buyer's reimbursement costs hereunder. Subject to Article XII, should Buyer's failure to take deliveries occur on a Day that Seller is unable, utilizing all reasonable efforts, to sell the entire Deficiency Quantity to a third party, then the closest Gas Daily price for the applicable deliveries shall be compared to the Off-Peak Period Baseload Index in determining Seller's damages. If the Off-Peak Period Baseload Index is greater then such Gas Daily index, then Buyer shall pay Seller an amount equal to such difference multiplied by portion of the Deficiency Quantity that

Seller was unable to sell. Seller's damages are difficult to quantify and constitute liquidated damages and not a penalty.

All remaining volumes, up to Buyer's MDQ, shall be equal to (i) the Peak Period Swing Index plus applicable Variable Charges, (ii) the Off Peak Swing Index plus applicable Variable charges or (iii) the Storage WACOG based on Buyers instructions to Seller. To make such determination, each Day, Buyer will direct Seller as to how much of its underground storage inventory volume entitlements should be utilized to meet its Daily requirements above its baseload election for such Day. Such Storage entitlement volumes shall be priced at the Storage WACOG plus applicable Variable Charges. Provided however, that if based on Buyer's storage inventory balance, a storage ratchet is hit, volumes above the storage ratchet shall be priced at a mutually agreed upon price between the Parties.

All other volumes delivered on such Day shall be priced at the applicable Peak or Off-Peak Swing Index plus Applicable Variable Charges.

Notwithstanding anything to the contrary herein, on any Day, Buyer may at its sole discretion choose to utilize its Firm Combination service contract (FCS023) with Distrigas of Massachusetts in lieu of all or a portion of the volumes that would otherwise be priced at the Peak Period Swing Index, Off Peak Period Swing Index or Storage WACOG.

3.1.2 Buyer's Right to Fixed Pricing. Buyer shall retain the right to convert any Baseload Volume Index price to a fixed price for any Month(s) during the Term of this Agreement,. Such fixed pricing shall be defined as the applicable NYMEX based price plus a mutually agreed upon basis differential. Buyer must notify Seller of any change to fixed pricing for any Month on or before three (3) full business Days prior the last Day of trading for the applicable NYMEX future contract Month(s). In addition, if Buyer elects to convert to a fixed price for any of its MDQ, then Buyer will be required to purchase on each Day during the applicable converted period 100 percent of the volume that Buyer elected to convert to a fixed price. In no event shall any Canadian Contract volumes or Storage Volumes be eligible for fixed price treatment under this section 3.1.2

3.2 Guaranteed Payment and Net Profit Sharing.

3.2.1 Guaranty Payments. Seller agrees to pay Buyer an amount of $**(REDACTED)**("Total Guaranty Payment"), payable in twelve (12) equal installments of $**(REDACTED)** ("Monthly Guaranty Payment") on or before the 25^{th} Day of each Month during the Term of this Agreement to compensate

Buyer for the use of Buyer's portfolio. Such payments shall be made by wire transfer at such location as Buyer may from time to time designate in writing.

3.2.2 In addition to the Guaranty Payment, **(REDACTED)**

3.3 Transportation and Underground Storage Cost Reimbursement. Buyer shall reimburse Seller for 100 percent of the transportation and underground storage reservation charges associated with capacities assigned from Buyer to Seller pursuant to Article V during the Term of this Agreement. In addition, Buyer shall reimburse Seller for 100 percent of the applicable transportation and underground storage Variable Charges associated with the delivery of Gas by Seller to Buyer's Delivery Points up to the MDQ and based upon the pricing hierarchy as reflected in section 3.1.1. All Transporter refunds and credits applicable to the Term of this Agreement associated with capacities assigned from Buyer to Seller during the Term of this Agreement shall belong to Buyer.

3.4 Underground Storage Refill. **(REDACTED)**

3.5 Suspension of Indices. If, during the Term of this Agreement, a specified index referenced in the Agreement ceases to be published or is not published for a given Month, or, if a more appropriate index becomes available then Buyer and Seller shall mutually agree upon a replacement index.

ARTICLE IV
ADDITIONAL CAPACITY MANAGEMENT

4.1 Agreement. Buyer possesses certain assets used to meet seasonal requirements that are not included in this Agreement. From time to time , Buyer and Seller may agree to allow Seller to access and manage some or all of these assets. Buyer shall not grant this right to anyone other than Seller during the Term of the Agreement , except as may be required by the PUC as part of Buyer's Unbundling Program.

4.2 Any asset management strategy implemented under this Article IV whether by Buyer or by Seller will be memorialized as an amendment to this Agreement, and all net profits related to such asset management strategies under this Article IV (the "Article IV Net Profits") will be shared between the Buyer and Seller **(REDACTED)**

This Article IV Net Profit sharing calculation shall be separate from and in addition to the Total Guaranty Payment and Net Profit sharing calculation referenced in Section 3.2 above. Except in the case of a termination based on a Buyer Event of Default, if **(REDACTED)**

ARTICLE V
TRANSPORTATION AND UNDERGROUND STORAGE ASSIGNMENTS

5.1 Assignment of Transportation and Underground Storage Contracts to Seller. Each Month, Buyer shall release, assign or otherwise provide agency rights to the specified transportation and underground storage contracts and related quantities as listed in Appendix 1, as attached hereto. Such contracts are subject to recall (but only in connection with the Buyer's Unbundling Program requirements, MLCI's default under this Agreement, or as otherwise provided in this Agreement) and will be adjusted each Month in accordance with Buyer's Unbundling Program requirements. Upon termination or expiration of this Agreement (a) Buyer shall have the right to recall all contracts that were released to Seller hereunder, (b) Seller shall assign to Buyer all contracts that were assigned to Seller hereunder, and (c) title to the Ending Underground Storage Balance shall transfer to Buyer. Seller expressly acknowledges that any recall of underground storage contracts shall result in the conveyance of title to the Ending Underground Storage Balance to Buyer. No resale agreement or other indicia of the transfer other than this Agreement shall be necessary to evidence such transfer of title. Seller shall cooperate fully with Buyer to provide the storage providers with whatever documentation may be required for Buyer to exercise its recall of such contracts and to reflect the conveyance of title to the related gas inventory without interference by such providers. Seller further warrants that all gas in storage under Buyer's released or assigned contracts will be free and clear from liens and adverse claims of every kind prior to its withdrawal. Subject to Article II of this Agreement and the limitations set forth in section 5.2.4 below, Seller shall have full and complete control over the utilization of the contracts and related quantities listed in Appendix 1, including without limitation the manner and timing of any transportation, injections, and withdrawals of Gas under such contracts, provided that Seller shall notify Tennessee in writing by October 15th of each year of its agreement to waive any and all rights to releasing upstream capacity such that Buyer is able to maintain full withdrawals from its FS-MA storage accounts throughout the Term of this Agreement. Any incremental charges incurred by either Buyer or Seller as a result of such utilization by Seller shall be considered variable charges in connection with the Net Profit calculation. All assignments or agency rights from Buyer to Seller shall be in accordance with all the applicable Transporters' tariff provisions and shall terminate upon the expiration of this Agreement. Buyer acknowledges that other than Seller's obligation to notify Tennessee as set forth above, Buyer knows of no other notification or similar obligation that Seller must fulfill in connection with fully utilizing the FS-MA storage contracts as set forth in Appendix 1, and, therefore, Seller has no obligation to provide any other notice.

5.1.1 <u>Transfer of Gas in Underground Storage</u>. The Initial Underground Storage Balance shall be under the control and discretion of Seller as of the Effective Date of this Agreement and title to such Initial Underground Storage Balance shall transfer to Seller as of the Effective Date of this Agreement at no cost to Seller. No resale agreement or other indicia of the transfer other than this Agreement shall be necessary to evidence such transfer of title. Buyer warrants title to the Initial Underground Storage Balance and that such Gas is free from liens and adverse claims of every kind. Buyer will indemnify and save Seller harmless against all loss, damage and expense of every character on account of adverse claims to the Initial Underground Storage Balance prior to transfer of title to Seller. Seller shall ensure that all tariff provisions and other compliance requirements of underground storage vendors applicable to Gas in underground storage are met and penalties are avoided. Any penalties incurred by Buyer or Seller as a result of Seller's utilization of Gas in underground storage shall be the sole responsibility of Seller. Seller agrees to designate Buyer as its agent for purposes of having viewing rights to Seller's underground storage balances on any contracts released or assigned by Buyer to Seller and to execute and maintain any necessary paperwork with the applicable storage providers related to such agency designation. At the end of the Term of this Agreement or upon any earlier date of termination of this Agreement, if the Ending Underground Storage Balance is less than the Initial Underground Storage Balance, Seller will repay the difference in-kind ratably during April 1 through October 31 period following such expiration or termination. Seller shall deliver such volumes into Buyer's Transporter; Buyer shall either be responsible for transportation of the volumes or Buyer shall provide adequate transportation and injection rights to Seller to effect redelivery to Buyer's storage capacity.

At the end of the Term of this Agreement, if Seller's actual storage balance is greater than Buyer's storage inventory balance, Buyer will pay Seller for the difference at the simple average of the April 2006 through October 2006 first-of-the-month receipt point indices for the pipeline (Tennessee) used to inject supply into Buyer's storage contracts, grossed up for all applicable variable changes.

5.1.2 Gas Commodity Contract Volumes. For those Gas Commodity Contract Volumes identified in Appendix 1, Buyer will transfer and Seller will accept title to such volumes at the delivery point(s) applicable to each such Gas Commodity Contract Volumes. All volumes delivered will be adjusted Monthly in accordance with Buyer's Unbundling Program requirements.

5.2 Responsibility for Transportation and Underground Storage Contracts.

5.2.1 Responsibility for Administration. Subject to the limitations in section 5.2.4 below, Seller shall assume all obligations and rights under the transportation and underground storage contracts listed in Appendix 1, including without limitation, the obligation to submit nominations to all applicable Transporters and to pay all Transporter invoices.

5.2.2 Operational Balancing Agreements. Buyer shall retain all responsibilities for confirming all of Seller's daily deliveries to Buyer's city gates covered under Buyer's Operational Balancing Agreements (OBA) for Tennessee. As such, any imbalances caused by Seller over or under delivering Buyer's Daily Nominated Quantities shall be the physical and financial responsibility of Seller. Any imbalances caused by Buyer physically taking greater or less than Buyer's Daily Nominated Quantities shall be the physical and financial responsibility of Buyer.

5.2.3 Projected Requirements. Buyer shall periodically provide Seller information concerning Buyer's expected Gas requirements on its distribution system. Buyer will also provide Seller information concerning any known or expected events that will cause material changes in Buyer's daily Gas requirements as soon as the information becomes known to Buyer. Buyer and Seller agree to work together on a daily basis to ensure that nominations (including any necessary adjustments thereto) are made timely on all applicable Transporters and such nominations reflect, as much as reasonably possible, Buyer's expected requirements.

5.2.4 Modification of Contracts. Seller will fully comply with all terms and conditions of the contracts listed in Appendix 1. Seller shall not amend, extend or cause the early termination of any transportation, underground storage or Gas Commodity

Contract of Buyer which is subject to this Agreement without the prior consent of Buyer. In the event such consent is provided orally it shall be followed up in writing by Buyer within 24 hours.

ARTICLE VI
INITIAL TERM OF AGREEMENT

Term. Beginning as the Effective Date of this Agreement, the termsof this Agreement shall replace and supercede the terms of the 2004 Agreement (however for the time period prior to Effective Date, the terms of the 2004 Agreement shall govern). This Agreement shall become effective on April 1, 2005 and shall remain in full force and effect through March 31, 2006.

At end of the Term, Seller shall immediately assign or release back to Buyer all of Buyer's right, title and interest in the contracts listed on Appendix 1 free and clear of claims, liens, encumbrances restrictions and defects in title of any nature incurred as a result of Seller's acts or omissions

6.2 Events of Default. In the event that Buyer:

(a) fails to make, when due, any payment under this Agreement and/or provide financial assurance if required pursuant to Section 2.4.6 above (which shall not include a delay that is cured within two (2) Business Days of a demand for corrective action);

(b) (Seller Only) fails to deliver pursuant to Section 2.4.3;

(c) fails to perform any other obligation (that is not referenced in (a) and (b) above) under this Agreement (which shall not include any failure of performance that is cured within five (5) Business Days of a demand for corrective action); or

(d) files a petition or otherwise commences, authorizes, or acquiesces in the commencement of a proceeding or cause under any bankruptcy or similar law for the protection of creditors or has such petition filed or proceeding commenced against it (unless such filing is objected to and dismissed within three (3) business days); or

(e) otherwise becomes bankrupt or insolvent (however evidenced); or

(f) makes an assignment or any general arrangement of all or substantially all of its assets for the benefit of creditors; or

(g) is dissolved or has a resolution passed for its winding up or liquidation (other than pursuant to a consolidation, acquisition, amalgamation or merger); or

(h) is financially unable to pay its debts as they fall due; or

(i) transfers all or substantially all of its assets or merges into or consolidates with any entity (i) where the creditworthiness of the resulting entity is rated below investment grade by either S&P or Moody's; or (ii) where the merging party's obligations are not assumed by operation of law or written instrument, or

(j) makes a materially incorrect or misleading representation or warranty under the Agreement.

then, upon the occurrence and continuance of any such event (each an "Event of Default"), the counterparty ("Non-Defaulting Party") shall have the right to withhold or suspend its performance under this Agreement. In addition, the Non-Defaulting Party may establish a date (upon notice to the Defaulting Party) that shall be the "Early Termination Date." However, in the case of an Event of Default under clauses (d) through (i) above, an Early Termination Date shall be deemed to have occurred immediately prior to such event and no prior notice shall be required) upon which the Non-Defaulting Party may terminate and liquidate any and all outstanding transactions under this Agreement. All amounts then currently owed or pending shall immediately become payable by the debtor party to the party owed.

Upon the designation or occurrence of an Early Termination Date, the Parties shall wind down this Agreement pursuant to Section 6.3, 6.4 or 6.5 (as applicable).

6.3 Wind Down Upon an MLCI Event of Default. If this Agreement is terminated by the Buyer as a result of an MLCI Event of Default, all capacity shall be automatically recalled by Buyer, and MLCI's obligation to pay any remaining Monthly Guaranty Payments shall cease as of the Early Termination Date. MLCI shall exercise best efforts to unwind any related outstanding trading positions it has taken based on this Agreement and shall be solely and fully liable for such positions. Buyer shall pay to MLCI any amounts due for gas supplies hereunder. Further, MLCI shall be obligated to calculate and pay the Buyer the applicable Net Profits percentage. MLCI shall pay the Buyer such amount within thirty (30) days of the effective date of the termination.

6.4 Wind Down Upon an Event of Default Buyer or a Discretionary Termination. If this Agreement is terminated by MLCI as a result of Buyer Event of Default or if this Agreement is terminated by Buyer as a result of a Discretionary Termination, the capacity hereunder shall be recallable upon Buyer's payment to MLCI of any amounts currently due or pending by the Buyer to MLCI upon the Early Termination Date (unless such amounts are the subject of a good faith dispute by Buyer, in which case the Parties shall establish a prompt and reasonable recall schedule for the capacity hereunder), and MLCI's obligation to pay any remaining Guaranteed Value Payments shall cease as of the Early Termination Date. MLCI shall calculate the Net Profits amount.

a. If upon such termination, the Net Profits amount is positive, Buyer shall:

(REDACTED)

The Parties acknowledge that for this Section 6.4, "Prorated Guaranty Amount" shall replace "Total Guaranteed Amount" for the calculation of Net Profits upon termination. The Buyer's reimbursement to MLCI or (if applicable) MLCI's obligation to pay the Buyer the Net Profit percentage shall occur within thirty (30) days of the effective date of the termination.

6.5 Wind Down Upon No-Fault Termination or Mandated Termination. If this Agreement is terminated based on a No-Fault Termination or if this Agreement is terminated by Buyer as a result of a Mandated Termination, the Parties shall establish a prompt and reasonable recall schedule for the capacity hereunder, and MLCI's obligation to pay any remaining Guaranteed Value Payments shall cease as of the Early Termination Date. MLCI shall calculate the Net Profits amount.

a. If upon such termination, the Net Profits amount is positive, Buyer shall:

(REDACTED)

The Parties acknowledge that for this Section 6.5, "Prorated Guaranty Amount" shall replace "Total Guaranteed Amount" for the calculation of Net Profits upon termination. The Buyer's reimbursement to MLCI or (if applicable) MLCI's obligation to pay the Buyer the Net Profit percentage shall occur within thirty (30) days of the effective date of the termination.

A "No-Fault" Termination is a termination based on a suspension of performance based on Force Majeure.

6.6 In addition, the Non-defaulting Party shall have a general right of set off with respect to all amounts owed among the Parties hereunder, under this Agreement or any agreement or arrangement among the Parties. Obligations hereunder shall be deemed satisfied and discharged to the extent of any such setoff. A party shall give the affected party notice of any setoff effected under this section provided that a failure to provide such notice shall not affect the validity of the setoff.

ARTICLE VII
TITLE AND TAXES

7.1 Transfer of Title, Possession and Control. Title to the Gas sold hereunder shall pass from Seller to Buyer upon delivery of said Gas to the Delivery Points as reflected in Appendix 1. As between the Parties hereto, Seller shall be deemed to be in control and possession of all Gas delivered hereunder and shall indemnify and hold Buyer harmless from any damage, injury or losses which occur prior to the delivery to Buyer at the Delivery Points; otherwise, Buyer shall be deemed to be in exclusive control and possession thereafter and shall indemnify and hold Seller harmless from any other injury, damage or losses.

7.2 Warranty of Title. Except as set forth below, Seller warrants title to all Gas delivered hereunder by Seller, including the Ending Underground Storage Balance or that Seller has the right to sell the same, and that such Gas is free from liens and adverse claims of every kind. Seller will indemnify and save Buyer harmless against all loss, damage and expense of every character on account of adverse claims to the Gas delivered by it before delivery to Buyer.

7.3 Taxes. Other than ad valorem taxes on underground storage Gas which are subject to section 7.4 below, Buyer shall reimburse Seller for any taxes, fees or charges, other than an income tax, which are levied by a governmental or regulatory body on the Gas sold under this Agreement.

7.4 Ad Valorem Taxes If any underground storage Gas is subject to ad valorem property taxes during the Term of this Agreement, Buyer shall be responsible for payment of such taxes regardless of whether title to such underground storage Gas is held by Buyer or Seller except if Seller injects Gas into underground storage for its own account or withdraws Gas from underground storage for purposes other than meeting the city gate requirements of Buyer, then Seller shall be responsible for payment of all applicable ad valorem taxes on the amounts so injected or withdrawn.

ARTICLE VIII
QUALITY AND PRESSURE

8.1 Pressure Requirements. All Gas delivered at the Delivery Points shall be at the pressure existing in Tennessee and PNGTS facilities. Neither Seller nor Buyer shall be obligated to install or operate compression facilities.

ARTICLE IX
MEASUREMENT AND TESTS

9.1 Measurement Point. All Gas sold hereunder shall be measured at the Delivery Points on Tennessee and PNGTS systems at pressures in existence at the time of delivery and shall be measured to the unit of one MMBtu.

9.2 Standards for Measurement and Tests. Unless specified herein to the contrary, the standards for measurement and tests shall be governed by those standards set forth in the currently effective Tennessee and PNGTS tariffs.

ARTICLE X
BILLING AND PAYMENT

10.1 Billing and Payment. Seller shall render to Buyer, at the address indicated in Section 13.2 hereof, on or before the third business Day of each Month an estimate of all Gas volumes purchased during the preceding Month and on or before the fifteenth (15th) Day of each calendar Month an invoice for all Gas purchased during the preceding Month, according to the measurements, computations, and prices provided herein. Invoices may be based initially upon estimates, but will be corrected to actual as soon as possible. Buyer agrees to make payment hereunder to Seller for its account in available funds by wire transfer or by mail at such location as Seller may from time to time designate in writing. Payment shall be made by Buyer within ten (10) Days of the date of receipt of Seller's invoice. Notwithstanding the above, if a good faith dispute arises between the Parties over the amounts due under the invoice for any matters, other than any reimbursement for the demand or reservation charges under the Firm transportation and underground storage contracts, then Buyer will pay that portion of the invoice(s) not in dispute on or before the due date and both Parties will continue to perform their obligations under this Agreement during such dispute.

10.2 Review of Books and Records. For a period of two years after the date of final billing for the last Month in the term of this Agreement, Buyer and Seller shall have the right to inspect and examine, at reasonable hours, the books, records and charts of the other pertaining to any term or condition of this Agreement to the extent necessary to verify the accuracy of any invoice, charge or computation made pursuant to this Agreement.

10.3 If payment obligations hereunder are due and payable on the same date and invoices are received prior to the applicable payment date (pursuant to Section 10.1 above), then the Parties shall net such payment obligations arising under this Agreement such that the party owing the greater amount shall make a single payment of the net amount to the other party in accordance with this Article. The Parties acknowledge that if invoices are received on different dates for payment on the same due date and the invoices are received within the applicable time periods set forth in Section 10.3, then such invoiced amounts may be netted (if netting is applicable) on the applicable payment date.

ARTICLE XI
REGULATORY BODIES

11.1 Laws and Regulations. This Agreement is subject to all valid applicable governmental laws and orders, including but not limited to the FERC and PUC, regulatory authorizations directives, rules and regulations of any governmental body or official having jurisdiction over the Parties, their facilities, the Gas or this Agreement or any provision thereof; but nothing contained herein shall be construed as a waiver of any right to question or contest any such law, order, rule or regulation in any forum having jurisdiction.

11.2 Applicable Law. This Contract shall be construed in accordance with the laws of the State of New Hampshire, excluding any conflict of laws and principles of said jurisdiction that might require the application of the laws of another jurisdiction.

11.3 Changes in Law or Regulation. If any federal or state statute or regulation or order by a court of law or regulatory authority directly or indirectly (i) prohibits performance under this Agreement, (ii) makes such performance illegal or impossible, or (iii) effects a change in a substantive provision of this Agreement which has a significant material adverse impact upon the ability of either Party to perform its obligations under this Agreement, then the Parties will use all reasonable efforts to revise the Agreement so that:

(a) performance under the Agreement is no longer prohibited, illegal, impossible or is no longer impacted in a material adverse fashion, and

(b) the Agreement is revised in a manner that preserves, to the maximum extent possible, the respective positions of the Parties.

Each Party will provide reasonable and prompt notice to the other Party as to any proposed law, regulations or any regulatory proceedings or actions that could affect the rights and obligations of the Parties. If the Parties are unable to revise the Agreement in accordance with the above, then the Party whose performance is rendered prohibited, illegal, and impossible or is impacted in a material adverse manner shall have the right, at its sole discretion, to suspend this Agreement upon written notice to the other Party. Either Party may then terminate this Agreement upon 30 Days written notice to the other Party.

If the Buyer terminates this Agreement based on its interpretation (or the interpretation of any of its counsel or advisors) that continued performance under this Agreement is not permitted by a change, directive, order or the like by a governing authority, such termination shall be referred to as a "Discretionary Termination."

If the Buyer terminates this Agreement based on an express mandate to do so by a governing authority, such termination shall be referred to as a "Mandated Termination."

ARTICLE XII
FORCE MAJEURE

12.1 Suspension of Receipt and Delivery Obligations. If Buyer or Seller is rendered unable, wholly or in part, by Force Majeure to perform obligations under this Agreement, other than the obligation to make payments due under this Agreement, it is agreed that the performance of the respective obligations of Seller and Buyer to deliver or purchase and receive Gas, so far as they are affected by Force Majeure, shall be excused and suspended from the inception of any such inability until it is corrected, but for no longer period. Buyer or Seller, whichever is claiming such inability, shall give notice thereof to the other as soon as practicable after the occurrence of the Force Majeure. Such notice may be given orally or in writing but, if given orally, it shall be promptly confirmed in writing, giving reasonably full particulars. Such inability shall be promptly corrected to the extent it may be corrected through the exercise of reasonable diligence by the Party claiming inability by reason of Force Majeure.

12.2 Liability During Force Majeure. Neither Buyer nor Seller shall be liable to the other for any losses or damages, regardless of the nature thereof and however occurring, whether such losses or damages be direct or indirect, immediate or remote, by reason of, caused by, arising out of or in any way attributable to suspension of the performance of any obligation of either Party to the extent that such suspension occurs because a Party is rendered unable, wholly or in part, by Force Majeure to perform its obligations.

12.3 Force Majeure. The term Force Majeure means an event: (i) that was not within the control of the Party claiming its occurrence; (ii) that could not have been prevented or avoided by such Party through the exercise of due diligence; and (iii) that prohibits or prevents such Party from performing its obligations under this Agreement. Events that may give rise to a claim of Force Majeure include:

12.3.1 Acts of God. The term acts of God, including earthquakes, epidemics, fires, floods, landslides, lightning, storms, washouts, weather related events such as hurricanes or freezing or failure of wells or lines of pipe used to supply the Gas described in this Agreement which prevents delivery to the delivery points, and other similar, unusual and severe natural calamities.

12.3.2 Acts of the public enemy, wars, blockage, insurrections, riots, civil disturbances and arrests.

12.3.3 Strikes, lockouts or other industrial disturbances.

12.3.4 Explosions, breakage, accidents to equipment, facilities or lines of pipe used to supply the Gas under this Agreement or explosions, breakage, accidents to equipment, facilities or lines of pipe used to enable Buyer to receive Gas under this Agreement, including without limitation to equipment, facilities or lines of pipe related to Buyer's liquefied natural gas facilities.

12.3.5 The temporary inability of Transporters to receive, transport or deliver the Gas described in this Agreement; or

12.3.6 Any other cause of a similar type provided that such cause satisfies each of the three conditions referenced in Section 12.3 hereof (i.e. "(i)-(iii)").

12.4 Termination. If a Force Majeure event continues for a period of two (2) Days, and the Parties, working together in good faith, have been unable to resolve such Force Majuere event, then the Party which did not claim such Force Majeure may at any time thereafter terminate this Agreement upon forty eight (48) hours prior written notice to the extent the Force Majeure event has not been corrected prior to the expiration of such notice period. Such termination shall be considered a "No-Fault Termination."

12.5 Notwithstanding anything in this Article XII to the contrary, if, upon the occurrence of a Force Majeure event, (a) first of the month gas is curtailed, and (b) delivery to Buyer is possible, then MLCI shall deliver gas supply quantities hereunder to Buyer upon the occurrence of a Force Majeure event, provided that the Parties negotiate a mutually acceptable price for such quantities (such revised price shall only apply during the duration of the applicable Force Majeure event). If MLCI's performance is suspended in connection with supply obligations that are of like-kind to the supply obligation hereunder as a result of Force Majeure, MLCI shall perform (to the extent possible) such obligations on a pro-rated basis.

ARTICLE XIII
MISCELLANEOUS

13.1 Confidentiality. Except as otherwise provided herein, Seller and Buyer agree to maintain the confidentiality of the price provisions of this Agreement and Seller and Buyer agree not to divulge same to any third Party except to the extent, and only to the extent, required by law, court order or the order or regulation of an administrative agency having jurisdiction over Buyer and Seller, or the subject matter of this Agreement. If required to be disclosed, then the Party subject to the disclosure requirement shall (a) notify the other Party immediately, and (b) cooperate to the fullest extent in seeking whatever confidential status may be available to protect any material so disclosed.

Notwithstanding anything herein to the contrary, Buyer or Seller (and any employee, representative, or other agent of Buyer or Seller) may disclose to any and all persons, without limitation of any kind, the tax treatment and tax structure of the transactions contemplated by this agreement and all materials of any kind (including opinions or other tax analyses) that are provided to it relating to such tax treatment and tax structure. However, any such information relating to the tax treatment or tax structure is required to be kept confidential to the extent necessary to comply with any applicable federal or state securities laws.

13.2 Notices. Except as otherwise expressly provided in this Agreement, every notice, request, statements and invoices provided in this Agreement shall be in writing and directed to the Party to whom given, made or delivered at such Party's address as follows:

Buyer: KeySpan Energy Delivery New England
52 Second Avenue, 4th Floor
Waltham, MA 02451
Attention: Elizabeth Arangio
Director Gas Supply Planning
Telephone: 781-466-5057 Fax: 781-290-0186

For Payments:
KeySpan Corporation
Citibank
Account # 00036871
ABA # 021000089

For Nominations:
Buyer shall provide to MLCI (from time to time) a primary
and
secondary contact (collectively referred to as "Buyer Designated Representatives").

Seller: Merrill Lynch Commodities, Incorporated
20 East Greenway Plaza, Suite 700
Houston, TX 77046
Attention: Chris Beggins

<u>For Nominations</u>:
MLCI shall provide to Buyer (from time to time) a primary and secondary contact (collectively referred to as "MLCI Designated Representatives").

<u>For Payments:</u>
Wire Transfer
JPMorgan Chase Bank, New York, NY
Account # 323-009-980
ABA #021-000-021

Either Buyer or Seller may change one or more of its addresses for receiving invoices, statements, notices, nominations and payments by notifying the other in writing.

13.3 <u>Headings</u>. The Table of Contents and the headings of any article, section or subsection of this Agreement are for purposes of convenience only and shall not be interpreted as having meaning or effect.

13.4 <u>Waiver of Default</u>. No waiver by either Party of one or more defaults or breaches by the other in performance of any of the terms or provisions of this Agreement shall operate or be construed as a waiver of any future default or breach, whether of a like or of a different character.

13.5 <u>Entire Agreement</u>. The terms and conditions contained herein constitute the full and complete agreement between the Parties and any change to be made must be submitted in writing and agreed to by both Parties. This Agreement amends, restates and supersedes the 2004 Agreement.

13.6 <u>Enforceability</u>. This Agreement shall inure to the benefit of and be binding upon the parties and their respective heirs, successors and assigns. Each Party represents that it has all necessary power and authority to enter into and perform its obligations under this Agreement and that this Agreement constitutes a legal, valid and binding obligation of that Party enforceable against it in accordance with its terms, except as such enforceability may be affected by any bankruptcy law or the application of principles of equity. The Parties agree that the transactions hereunder constitute a "forward contract" within the meaning of the

United States Bankruptcy Code and that Buyer and Seller are each "forward contract merchants" within the meaning of the United States Bankruptcy Code.

13.7 Assignment and Organizational Changes. Seller shall not assign its rights or obligations under this Agreement without the express written consent of Buyer. In the event of a Change of Control of Seller occurring during the term of this Agreement, Buyer shall have the right to terminate this Agreement upon thirty (30) Days written notice to Seller. For purposes of this Section, 13.7 "Change of Control" means the occurrence of any one or more of the following events: (a) the shareholders of Seller approve a merger or consolidation of Seller with any other entity, (b) the shareholders of Seller approve a plan of liquidation of Seller or an agreement for the sale or disposition by Seller of all or substantially all of its assets, or (c) if a majority of the key individuals at Seller, who at the beginning of this Agreement are providing the services for Buyer under this Agreement are no longer employed by Seller.

13.8 NAESB Compliance. Seller warrants and represents that all computer hardware or software used in Seller's performance of this Agreement is and will continue to be compatible with the latest software release of NAESB.

13.9 Necessary Authorizations. Each party represents that it has all necessary corporate, legal and other authority, including regulatory approval, to enter into this Agreement and to perform each and every duty and obligation imposed herein, and that this Agreement, represents a valid, binding and enforceable legal obligation of each party. No party to this Agreement entered into hereunder shall be required to investigate the authority of the person executing this Agreement entered into hereunder as a condition to enforcing the terms of this Agreement.

13.10 Compliance with Laws. Buyer represents to MLCI that (i) to the best of its knowledge, its execution and performance of this Agreement will not violate any provisions of any federal, state or local laws and will not result in the breach or violation of, constitute a default under, or result in the creation of any lien, charge or encumbrance upon any of its assets, and (ii) it shall comply with all any federal, state or local laws and any applicable tariff requirements applicable to this Agreement.

MLCI represents to Buyer that (i) to the best of its knowledge, MLCI's execution and performance of this Agreement will not violate any provisions of any federal, state or local laws and will not result in the breach or violation of, constitute a default under, or result in the creation of any lien, charge or encumbrance upon any of the Buyer's assets, and (ii) MLCI shall comply with all any federal, state or local laws and any applicable tariff requirements applicable to this Agreement.

13.11 EXCEPT AS OTHERWISE SPECIFICALLY PROVIDED HEREIN, IN NO EVENT WILL ANY PARTY BE LIABLE UNDER THIS AGREEMENT, WHETHER IN CONTRACT, IN TORT (INCLUDING NEGLIGENCE AND STRICT LIABILITY), OR OTHERWISE, FOR INCIDENTAL, INDIRECT, CONSEQUENTIAL, SPECIAL, OR PUNITIVE DAMAGES.

IN WITNESS WHEREOF, the Parties hereto have caused these presents to be executed by their respective officers thereunto duly authorized as of the Day and year first written.

[THIS SPACE INTENTIONALLY LEFT BLANK]
SIGNATURES ON FOLLOWING PAGE

ENERGYNORTH NATURAL GAS, INC
d/b/a KeySpan Energy Delivery New England

By: ______________________________
Signature

____
Print Name

____
Buyer

MERRILL LYNCH COMMODITIES, INC.

By: ______________________________
Signature

____
Print Name

____
Seller

REDACTED

AMENDED AND RESTATED
GAS RESOURCE PORTFOLIO MANAGEMENT
AND
GAS SALES AGREEMENT
BETWEEN
BOSTON GAS COMPANY
COLONIAL GAS COMPANY
AND
ESSEX GAS COMPANY
AS BUYER
AND
ENTERGY-KOCH TRADING, LP
AS SELLER

TABLE OF CONTENTS

AGREEMENT

THIS AMENDED AND RESTATED AGREEMENT is made and entered into this 1st day of April, 2004 (the "Effective Date"), by and between **BOSTON GAS COMPANY**, a Massachusetts corporation, **ESSEX GAS COMPANY,** a Massachusetts corporation and **COLONIAL GAS COMPANY** a Massachusetts corporation, all d/b/a KeySpan Energy Delivery New England and hereinafter jointly referred to as "Buyer" or the "KeySpan Parties", and ENTERGY-KOCH TRADING, LP a Delaware limited partnership, hereinafter referred to as "Seller" or "EKT." EKT and the KeySpan Parties shall be collectively referred to as the "Parties".

W I T N E S S E T H   T H A T:

WHEREAS, Buyer and Seller are Parties to a certain gas resource portfolio management and gas sales agreement dated as of April 1, 2003 (the "2003 Agreement"); and

WHEREAS, the Parties desire to amend and restate their respective rights and obligations set forth in the 2003 Agreement; and

WHEREAS, Buyer desires to retain a manager for certain of its natural Gas resource portfolio under the terms and conditions of this Agreement; and

WHEREAS, Buyer desires to purchase natural Gas from Seller under the terms and conditions of this Agreement; and

WHEREAS, Seller desires to provide portfolio management services under the terms and conditions of this Agreement; and

WHEREAS, Seller desires to sell natural Gas to Buyer under the terms and conditions of this Agreement.

NOW, THEREFORE, in consideration of the mutual covenants and benefits to be derived hereunder, Buyer and Seller agree as follows:

ARTICLE I
DEFINITIONS

Unless expressly stated otherwise, the following terms as used in this Agreement shall mean:

1.1 The term "Algonquin" shall mean the Algonquin Gas Transmission Company.

1.2 The term "Btu" shall mean British Thermal Unit(s) which shall mean that amount of heat energy required to raise the temperature of one avoirdupois pound of water from fifty-nine-degrees Fahrenheit to sixty-degrees Fahrenheit at standard atmospheric pressure, as determined on a dry basis. All prices and charges paid hereunder shall be computed on a "dry" Btu basis.

1.3 The term “Buyer’s Unbundling Program” shall mean the methodology by which Buyer, each Month, implements the mandatory assignment of a pro-rata share of its pipeline and underground storage resources and certain Gas supplies to third party suppliers on behalf of existing transportation customers and customers converting from sales to transportation service.

1.4 The term "Canadian Index" shall mean the price charged to Buyer directly from the respective Supplier, not EKT. Buyer is responsible for nominating and scheduling those volumes reflected in Appendix 1 and identified as Canadian Supply under the heading Gas Commodity Contract Volumes, however, upon notice from EKT to Buyer five days prior to the first of a Month, EKT may nominate and schedule those volumes reflected in Appendix 1 and identified as Canadian Supply under the heading Gas Commodity Contract Volumes. Both Buyer and Seller understand that these volumes are subject to change each Month during the Initial Term of this Agreement as a direct result of Buyer’s Unbundling Program.

1.5 The term "Day" shall mean the period of time beginning at 9:00 a.m., Central Clock Time, on a calendar day and ending at 9:00 a.m., Central Clock Time, on the following calendar day.

1.6 The term "Delivery Points" shall mean those city gate meter stations connected to the Tennessee Gas Pipeline and Algonquin Gas Transmission systems, as listed in Appendix 1 , in addition to those meter stations identified as meter stations associated with storage refill.

1.7 The term "DTE" shall mean the Massachusetts Department of Telecommunications and Energy.

1.8 The term “Ending Underground Storage Balance” means the total storage inventory balance that is in Buyer’s total underground storage accounts as of the earlier of (a) the date of termination of this Agreement, or (b) the end of the Day on March 31, 2005.

1.9 The term "FERC" shall mean the Federal Energy Regulatory Commission.

1.10 The term “Firm” means that a party may interrupt its performance without liability only to the extent that such performance is prevented for reasons of Force Majeure; provided, however, that during Force Majeure interruptions, the party invoking Force Majeure may be responsible for any Imbalance Charges.

1.11 The term “Force Majeure” shall mean an event as defined in section 12.3 of this Agreement.

1.12 The term "Gas" shall mean quality Gas as defined in the FERC Gas Tariffs of Texas Eastern Transmission, Texas Gas Transmission, Tennessee Gas Pipeline, Transcontinental Pipeline, Dominion Gas Transmission, Inc., National Fuel Gas Supply, Iroquois Gas Transmission, Honeoye Storage Company, Algonquin Gas Transmission and Maritimes and Northeast Pipeline L.L.C.

1.13 The term "Gas Commodity Contract Volumes" means Buyer's Gas supply contract volumes as identified on Appendix 1.

1.14 The term “Initial Term” shall mean the period commencing on April 1, 2003 and ending on March 31, 2005.

1.15 The term "Initial Underground Storage Balance" shall mean 4,806,752 MMBtu.

1.16 The term "MMBtu" shall mean one million (1,000,000) Btus.

1.17 The term "Month" shall mean the period of time beginning on the first Day of each calendar month and ending on the last Day of such calendar month.

1.18 The term “Net Profits” shall be defined as the sales revenues (or losses) realized by EKT under the Initial Term of this Agreement less purchases and all other variable costs incurred by EKT less the Total Guaranty Payment. Variable costs do not include any direct overhead costs from EKT but shall include variable costs such as (without limitation) cost of interest to finance costs of gas in storage, transportation and storage variable charges, and hedging costs.

1.19 The term "NYMEX" shall mean the New York Mercantile Exchange for Natural Gas Futures Contracts.

1.20 The term “Off-Peak Period” shall mean the period of time beginning on the first Day of May and ending on the last Day of October.

1.21 The term “Off-Peak Period Baseload Index” shall mean the weighted average Gas price as reflected in Inside FERC First of the Month’s Pricing Report for Tennessee zone 0 and zone 1 and for the Tetco STX, WLA, ELA, and ETX supply areas associated with Buyer’s long haul transportation contracts listed in Appendix 1 and not allocated to the Canadian Index.

1.22 The term “Off-Peak Period Swing Index” shall mean the weighted average Gas price as reflected in Platt’s Gas Daily Pricing Report for Tennessee zone 0 and zone 1 and for the Tetco STX, WLA, ELA, and ETX supply areas associated with

Buyer's long haul transportation contracts listed in Appendix 1 and not allocated to the Canadian Index.

1.23 The term "Peak Period" shall mean the period of time beginning on the first Day of November and ending on the last Day of April.

1.24 The term "Peak Period Baseload Index " shall mean the weighted average Gas price as reflected in Inside FERC First of the Month's Pricing Report for Gas Delivered to Pipelines for the applicable Month for the applicable supply area capacity associated with the transportation contracts listed in Appendix 1 not allocated to the Canadian Index.

1.25 The term "Peak Period Swing Index" shall mean the weighted average Gas price as reflected in Platt's Gas Daily Pricing Report for the applicable supply capacity associated with the transportation contracts listed in Appendix 1 not allocated to the Canadian Index.

1.26 The term "Storage WACOG" shall mean the Buyer's weighted average cost of underground storage Gas.

1.27 The term "Tennessee" shall mean the Tennessee Gas Pipeline Company.

1.28 The term "Subsequent Term" shall mean the period commencing on April 1, 2005 and ending on March 31, 2006.

1.29 The term "Texas Eastern" shall mean the Texas Eastern Transmission Corporation.

1.30 The term "Transporters" shall mean any of the following: Texas Eastern Transmission, Texas Gas Transmission, Tennessee Gas Pipeline, Transcontinental Gas Pipeline, Dominion Gas Transmission Inc., National Fuel Gas Supply, Iroquois Gas Transmission, Honeoye Storage Company, Algonquin Gas Transmission Company and Maritimes and Northeast Pipeline L.L.C.

1.31 The term "Variable Charges" shall mean all applicable Transporter transportation commodity and fuel charges and all Transporter storage injection, withdrawal, and fuel charges and any other surcharges associated with delivery of Buyer's Gas to the Delivery Points, based upon the pricing hierarchy as reflected in Section 3.1

ARTICLE II
QUANTITY AND NOMINATIONS

2.1 Nominated Quantity. Subject to the terms and conditions of this Agreement, Buyer will nominate, purchase and receive and Seller will sell and deliver on a Firm basis on each Day of the Initial Term hereof, a quantity of Gas up to the MDQ as defined in section 2.2 below. Buyer shall be obligated to purchase all quantities up to the MDQ from Seller, unless otherwise agreed to between the Parties.

2.2 Maximum Daily Quantity ("MDQ"). Notwithstanding anything to the contrary herein, the MDQ of Gas up to which the Buyer is entitled to purchase and receive and that Seller is obligated to sell and deliver (subject to Buyer's nomination pursuant to the restrictions set forth below) on each Day of the Initial Term hereof, shall be the volumes as listed in Appendix 1. Both Buyer and Seller understand that the MDQ shall be adjusted Monthly and or Daily to reflect Buyer's Unbundling Program.

2.2.1 Quantities in Excess of the MDQ. From time to time during the Initial Term of this Agreement, Seller may sell and Buyer may purchase quantities in excess of the MDQ, provided that both Buyer and Seller agree to such quantities and to the price and terms of such excess sales prior to delivery. Nothing contained in this section 2.2.1 shall prevent Buyer from purchasing quantities of Gas in excess of the MDQ from a third party(s) other than Seller.

2.3 Nomination and Delivery Requirements.

2.3.1 Monthly Nomination. On or before 12:00 Noon C.S.T. and three business Days prior to the last day of trading of the NYMEX natural gas contract for the following Month, Buyer will provide Seller with a nomination specifying the total daily quantity of Gas to be purchased and received under this Agreement for each Day during the following Month, ("Daily Nominated Quantity"). Such nomination by Buyer shall include the volumes indicated as Peak and Off-Peak Period Baseload Index volumes, as applicable, pursuant to section 3.1.1 below.

2.3.2 Daily Adjustments. On or before 9:00 AM C.S.T. prior to the next delivery Day, Buyer may adjust its Daily Nominated Quantity prospectively for any Day during the remainder of that Month.

2.3.3 Intra-Day Adjustments. On or before the applicable intra-Day Transporters nomination deadline, Buyer may adjust its Daily Nominated Quantity for the remainder of that Day. In the event that Buyer requests an intra-Day adjustment, the Parties shall work together to utilize the intra-Day flexibility associated with the contracts listed in Appendix 1 in making such adjustments, as well as the intra-Day flexibilities afforded by the respective Transporters.

2.3.4 Manner of Submitting Nominations. Buyer must provide the nominations set forth above in this section orally and then by fax. Oral nominations shall be made by the Buyer to EKT's Designated Representatives (as defined in the Notice section below). The oral nominations shall be followed by written confirmation from the Buyer within twenty-four (24) hours.

2.3.5 Manner of Submitting Confirmations. By 3:30 P.M. Eastern time each Day, Seller shall provide volume allocations by contract and delivery point consistent with Buyer's nominations for the following Day to Buyer's Designated Representatives (as defined in the Notice section below).

2.3.6 Points of Delivery. Seller will deliver volumes of Gas nominated by Buyer to points designated by Buyer as provided by the applicable contracts or such other points as the Parties may mutually agree.

2.4 Remedies for Failure to Deliver.

2.4.1 Seller's Failure to Deliver. Except for an event of Force Majeure, if Seller fails to deliver to Buyer the Daily Nominated Quantity, and such failure to deliver is not excused under this Agreement, then Seller shall reimburse Buyer an amount, if positive, between the price Buyer pays for a delivered substitute supply of Gas and the Commodity Price, multiplied by the quantity of Gas Seller fails to deliver in accordance with this section, plus $0.50 per MMBtu, multiplied by the quantity of Gas Seller fails to deliver. Buyer agrees to act in good faith in purchasing such substitute supplies of Gas so as to minimize Seller's reimbursement costs hereunder.

2.4.2 Liquidating Damages. Subject to Article XII, should Seller's failure to deliver occur on a Day Buyer is unable, utilizing all reasonable efforts, to obtain a delivered substitute supply, then in addition to any amounts owed by Seller to Buyer pursuant to Section 2.4.1, Seller shall pay to Buyer $400.00 per MMBtu multiplied by the quantity Seller fails to deliver. Such amount represents Buyer's damages difficult to quantify and constitute liquidated damages and not a penalty.

2.4.3 Right to Terminate. In the event Seller fails to deliver for any continuous period in excess of one (1) Day, Buyer may terminate this Agreement in accordance with the provisions of section 6.2 below. The Parties acknowledge that Buyer shall not have the right to terminate if Seller's failure to perform is excused by Force Majeure. The Parties further acknowledge that Buyer shall not have a right to terminate so long as Seller delivers at least ninety percent (90%) of Buyer's nominated quantity (subject to the MDQ herein) on every Day, so long as such failure to deliver does not exceed one hundred and fifty thousand (150,000) MMBtus over the Initial Term of the Agreement.

2.4.4 Sole and Exclusive Remedy. The remedies set forth in Sections 2.4.1, 2.4.2 and 2.4.3 shall be Buyer's sole and exclusive remedy for Seller's failure to deliver Gas hereunder.

2.4.5 Corporate Guaranty. From and after the Effective Date, Seller shall cause Entergy-Koch, LP to execute and maintain in effect throughout the Initial Term of this Agreement:

(a) a valid and binding guaranty of Seller's obligations under this Agreement to Boston Gas Company substantially in the form attached hereto as Appendix 2 and in the amount of **(REDACTED)**

In the event of a Change of Control of Seller as defined in section 13.7 below, if the entity who will perform Seller's obligations under this Agreement following such Change of Control, or such entity's credit support provider, has a credit rating of A+ or better by Standard & Poor's Rating Services (or its successor – referred to as "S&P") or A1 or better by Moody's Investors Services, Inc. (or its successor – referred to as "Moody's"), then Seller's obligation to maintain the letter of credit referred to in this section 2.4.5 (b) shall cease.

2.4.6 Credit Assurance. If a party ("Reviewing Party") has reasonable grounds to believe that one or more of the other party's ("Debtor Party") creditworthiness or performance under this Agreement has become unsatisfactory, the Reviewing Party will provide the Debtor Party with written notice requesting financial assurance in a form and amount reasonably determined by the Reviewing Party. Upon receipt of such notice, the Debtor Party shall have three (3) business days to remedy the situation by providing such financial assurance to the Reviewing Party. In the event that the Debtor Party fails to provide such financial assurance acceptable to the Reviewing Party within three (3) business days of receipt of notice, then an Event of Default as described below will be deemed to have occurred, and the Reviewing Party will be entitled to the remedies set forth below. For purposes of this Section 2.4.6 a drop in Entergy-Koch, LP's credit rating to BBB+ or below by S&P or to Baa1 or below by Moody's shall constitute reasonable grounds for the KeySpan Parties to request financial assurance from EKT. A drop in Boston Gas Company's credit rating to BBB+ or below by S&P or to Baa1 or below by Moody's shall constitute reasonable grounds for EKT to seek financial assurance from the KeySpan Parties.

2.4.7. For purposes of managing credit exposure, the Parties agree that in connection with gas supply to Seller under this Agreement, EKT may determine (at EKT's option) one or both of the following courses of action: (i) EKT shall have the right, as agent for the KeySpan Parties, to purchase gas supplies from third parties, or (ii) the KeySpan Parties shall directly purchase gas supplies from third parties. However, prior to any such purchases made under this Section 2.4.7, the Parties shall mutually agree in writing to the quantity and terms of such purchases. Additionally, by April 30, 2003, the Parties shall endeavor to execute an agency agreement that provides EKT the authority to purchase gas as agent for the KeySpan hereunder.

ARTICLE III
PRICE

3.1 Commodity Price.

3.1.1 Quantities Within MDQ. The price for Gas delivered hereunder up to the MDQ will be referred to as the "Commodity Price" and shall be equal to the following pricing hierarchy:

Canadian Index: 0 up to the sum total of Buyer's entitlements on the Canadian contracts identified in Appendix 1 stated in MMBtu's per Day shall be equal to the Canadian Index plus applicable Variable Charges.

Peak Period Baseload Index: In the Peak Period the next volumes, up to the amount indicated by Buyer in accordance with this section, but not to exceed Buyer's MDQ less the Storage WACOG tier, less the Canadian Index tier, shall be equal to the Peak Period Baseload Index plus applicable Variable Charges. On or before June 15th of each calendar year of the Initial Term and Subsequent Term, Buyer shall provide to EKT a seasonal plan that shall set forth the quantity of Gas that Buyer shall purchase on a Firm basis from Seller during the peak period at the Peak Period Baseload Index. Such seasonal plan shall be in writing and shall be signed by a duly authorized representative of Buyer. If Buyer fails to take delivery of volumes it indicates as Peak Period Baseload Index volumes, and such failure to take is not excused under the Agreement, then, Buyer shall reimburse Seller the amount, if any, by which the price Seller is able to obtain by reselling volumes not taken ("Deficiency Quantity") is exceeded by the Peak Period Baseload Index. Seller shall act in good faith to resell such volumes in a commercially reasonable manner so as to minimize Buyer's reimbursement costs hereunder. Subject to Article XII, should Buyer's failure to take deliveries occur on a Day that Seller is unable, utilizing all reasonable efforts, to sell the entire Deficiency Quantity to a third party, then the closest Gas Daily price for the applicable deliveries shall be compared to the Peak Period

Baseload Index in determining Seller's damages. If the Peak Period Baseload Index is greater then such Gas Daily index, then Buyer shall pay Seller an amount equal to such difference multiplied by portion of the Deficiency Quantity that Seller was unable to sell. Seller's damages are difficult to quantify and constitute liquidated damages and not a penalty.

Peak Period Swing Index: In the Peak Period the next volumes, up to Buyer's MDQ less the Storage WACOG tier, less the Canadian Index tier, and the less the Peak Period Baseload Index tier shall be equal to the Peak Period Swing Index plus applicable Variable Charges.

Off-Peak Period Baseload Index In the Off-Peak Period the next volumes, up to the amount indicated by Buyer pursuant to this section, but not to exceed Buyer's MDQ less the Storage WACOG tier, less the Canadian Index tier, shall be equal to the Off-Peak Period Baseload Index plus applicable Variable Charges. For the Initial Term, on or before the 25th Day of each Month, Buyer will provide to Seller the quantity of Gas that Buyer shall purchase on a Firm basis from Seller for the following Month. If Buyer fails to take delivery of volumes it indicates as Off-Peak Period Baseload Index volumes, and such failure to take is not excused under the Agreement, then, Buyer shall reimburse Seller the amount, if any, by which the price Seller is able to obtain by reselling volumes not taken ("Deficiency Quantity") is exceeded by the Off-Peak Period Baseload Index. Seller shall act in good faith to resell such volumes in a commercially reasonable manner so as to minimize Buyer's reimbursement costs hereunder. Subject to Article XII, should Buyer's failure to take deliveries occur on a Day that Seller is unable, utilizing all reasonable efforts, to sell the entire Deficiency Quantity to a third party, then the closest Gas Daily price for the applicable deliveries shall be compared to the Off-Peak Period Baseload Index in determining Seller's damages. If the Off-Peak Period Baseload Index is greater then such Gas Daily index, then Buyer shall pay Seller an amount equal to such difference multiplied by portion of the Deficiency Quantity that Seller was unable to sell. Seller's damages are difficult to quantify and constitute liquidated damages and not a penalty.

Off-Peak Period Swing Index

In the Off-Peak Period, the next volumes up to Buyer's MDQ less the Storage WACOG tier, less the Canadian Index tier and less the Off-Peak Period Baseload Index tier shall be equal to the Off-Peak Period Swing Index plus applicable Variable Charges.

Storage WACOG: All remaining volumes, up to Buyer's MDQ, shall be equal to the Storage WACOG plus applicable Variable Charges. Upon hitting a storage ratchet based on Buyer's storage inventory balance, Seller shall remain obligated to sell and deliver up to Buyer's MDQ. However, volumes above the storage ratchet, up to Buyer's MDQ, shall be priced at a mutually agreed upon price between the Parties. Buyer may not choose to purchase such volumes.

3.1.2 Buyer's Right to Fixed Pricing. Buyer shall retain the right to convert any Baseload Volume Index price to a fixed price for any portion of the MDQ for any Month(s) during the Initial Term of this Agreement, provided any converted volumes are specifically within the following Commodity Price tiers: Baseload Index and Swing Index. Such fixed pricing shall be defined as the applicable NYMEX based price plus a mutually agreed upon basis differential. Buyer must notify Seller of any change to fixed pricing for any Month on or before three (3) full business Days prior the last Day of trading for the applicable NYMEX future contract Month(s). In addition, if Buyer elects to convert to a fixed price for any of its MDQ, then Buyer will be required to purchase on each Day during the applicable converted period 100 percent of the volume that Buyer elected to convert to a fixed price.

3.2 Guaranteed Payment and Net Profit Sharing.

3.2.1. Guaranty Payments. Buyer agrees to invoice Seller on or before the 15th Day of each Month during the Initial Term and Seller agrees to pay Buyer an amount of $**(REDACTED)** ("Total Guaranty Payment"), payable in twenty-four (24) equal installments of $**(REDACTED)** ("Monthly Guaranty Payment") on or before the 25th Day of each Month during the Initial Term of this Agreement to compensate Buyer for the use of Buyer's portfolio. Such payments shall be made by wire transfer at such location as Buyer may from time to time designate in writing. "Prorated Guaranty Amount" means the Total Guaranty Payment divided by the total number of months in the Initial Term multiplied by the number of months that have occurred from April 1, 2003 through the date of calculation (prorated for the month in which the date of calculation occurs).

3.2.2 EKT and the Buyer shall share in the positive Net Profits on a **(REDACTED)**

3.3 Transportation and Underground Storage Cost Reimbursement. Buyer shall reimburse Seller for 100 percent of the transportation and underground storage reservation charges associated with capacities assigned from Buyer to Seller pursuant to Article V during the Initial Term of this Agreement. In addition, Buyer shall reimburse Seller for 100 percent of the applicable transportation and underground storage Variable Charges associated with the delivery of Gas by Seller to Buyer's Delivery Points up to the MDQ and based upon the pricing hierarchy as reflected in section 3.1.1. All Transporter refunds and credits applicable to the Initial Term of this Agreement associated with capacities assigned from Buyer to Seller during the Initial Term of this Agreement shall belong to Buyer.

3.4 Underground Storage Refill. During the Initial Term, **(REDACTED)**

3.5 Suspension of Indices. If, during the Initial Term of this Agreement, a specified index referenced in the Agreement ceases to be published or is not published for a given Month, or, if a more appropriate index becomes available then Buyer and Seller shall mutually agree upon a replacement index.

ARTICLE IV
ADDITIONAL CAPACITY MANAGEMENT

4.1 Agreement. Buyer possesses certain assets used to meet seasonal requirements of Buyer's utilities that are not included in this Agreement. From time to time over the Initial Term, Buyer and Seller may agree to allow Seller to access and manage some or all of these assets. Buyer shall not grant this right to anyone other than Seller during the Initial Term, except as may be required by the DTE as part of Buyer's Unbundling Program.

4.2 Any asset management strategy implemented under this Article IV whether by Buyer or by Seller will be memorialized as an amendment to this Agreement, and all net profits related to such asset management strategies under this Article IV (the "Article IV Net Profits") will be shared between the Buyer and Seller on **(REDACTED)**

This Article IV Net Profit sharing calculation shall be separate from and in addition to the Total Guaranty Payment and Net Profit sharing calculation referenced in Section 3.2 above. Except in the case of a termination based on a Buyer Event of Default, **(REDACTED)**

ARTICLE V
TRANSPORTATION AND UNDERGROUND STORAGE ASSIGNMENTS

5.1 Assignment of Transportation and Underground Storage Contracts to Seller. Each Month, Buyer shall release, assign or otherwise provide agency rights to the specified transportation and underground storage contracts and related quantities as listed in Appendix 1, as attached hereto. Such contracts are subject to recall (but only in connection with the Buyer's Unbundling Program requirements, EKT's default under this Agreement, or as otherwise provided in this Agreement) and will be adjusted each Month in accordance with Buyer's Unbundling Program requirements. Upon termination or expiration of this Agreement (a) Buyer shall have the right to recall all contracts that were released to Seller hereunder, (b) Seller shall assign to Buyer all contracts that were assigned to Seller hereunder, and (c) title to the Ending Underground Storage Balance shall transfer to Buyer. Seller expressly acknowledges that any recall of underground storage contracts shall result in the conveyance of title to the Ending Underground Storage Balance to Buyer. No resale agreement or other indicia of the transfer other than this Agreement shall be necessary to evidence such transfer of title. Seller shall cooperate fully with Buyer to provide the storage providers with whatever documentation may be required for Buyer to exercise its recall of such contracts and to reflect the conveyance of title to the related gas inventory without interference by such providers. Seller further warrants that all gas in storage under Buyer's released or assigned contracts will be free and clear from liens and adverse claims of every kind prior to its withdrawal. Subject to Article II of this Agreement and the limitations set forth in section 5.2.4 below, Seller shall have full and complete control over the utilization of the contracts and related quantities listed in Appendix 1, including without limitation the manner and timing of any transportation, injections, and withdrawals of Gas under such contracts, provided that Seller shall notify Tennessee in writing by October 15th of each year of the Initial Term of its agreement to waive any and all rights to releasing upstream capacity such that Buyer is able to maintain full withdrawals from its FS-MA storage accounts throughout the Initial Term of this Agreement. Any incremental charges incurred by either Buyer or Seller as a result of such utilization by Seller shall be considered variable charges in connection with the Net Profit calculation. All assignments or agency rights from Buyer to Seller shall be in accordance with all the applicable Transporters' tariff provisions and shall terminate upon the expiration of this Agreement. Buyer acknowledges that other than Seller's obligation to notify Tennessee as set forth above, Buyer knows of no other notification or similar obligation that Seller must fulfill in connection with fully utilizing the FS-MA storage contracts as set forth in Appendix 1, and, therefore, Seller has no obligation to provide any other notice.

5.1.1 Transfer of Gas in Underground Storage. The Initial Underground Storage Balance shall be under the control and discretion of Seller effective with the Initial Term of this Agreement and title to such Initial Underground Storage Balance shall transfer to Seller as of the effective date of this Agreement at no cost to Seller. No resale agreement or other indicia of the transfer other than this Agreement shall be necessary to evidence such transfer of title. Buyer warrants title to the Initial Underground Storage Balance and that such Gas is free from liens and adverse claims of every kind. Buyer will indemnify and save Seller harmless against all loss, damage and expense of every character on account of adverse claims to the Initial Underground Storage Balance prior to transfer of title to Seller. Seller shall ensure that all tariff provisions and other compliance requirements of underground storage vendors applicable to Gas in underground storage are met and penalties are avoided. Any penalties incurred by Buyer or Seller as a result of Seller's utilization of Gas in underground storage shall be the sole responsibility of Seller. Seller agrees to designate Buyer as its agent for purposes of having viewing rights to Seller's underground storage balances on any contracts released or assigned by Buyer to Seller and to execute and maintain any necessary paperwork with the applicable storage providers related to such agency designation. At the end of the Initial Term of this Agreement, or upon any earlier date of termination of this Agreement, if the Ending Underground Storage Balance is less than the Initial Underground Storage Balance, Seller will repay the difference in-kind ratably during the April 1, through October 31 period following such expiration or termination. Seller shall deliver such volumes into Buyer's Transporter; Buyer shall either be responsible for transportation of the volumes or Buyer shall provide adequate transportation and injection rights to Seller to effect redelivery to Buyer's storage capacity.

At the end of the Initial Term of this Agreement, if Seller's actual storage balance is greater than Buyer's storage inventory balance, Buyer will pay Seller for the difference at the simple average of the April 2005 through October 2005 first-of-the-month receipt point indices for the pipelines (Tennessee and Texas Eastern) used to inject supply into Buyer's storage contracts, grossed up for all applicable variable changes.

5.1.2 Gas Commodity Contract Volumes. For those Gas Commodity Contract Volumes identified in Appendix 1, Buyer will transfer and Seller will accept title to such volumes at the delivery point(s) applicable to each such Gas Commodity Contract Volumes. All volumes delivered will be adjusted Monthly in accordance with Buyer's Unbundling Program requirements.

5.2 Responsibility for Transportation and Underground Storage Contracts.

5.2.1 Responsibility for Administration. Subject to the limitations in section 5.2.4 below, Seller shall assume all obligations and rights under the transportation and underground storage contracts listed in Appendix 1, including without limitation, the obligation to submit nominations to all applicable Transporters and to pay all Transporter invoices.

5.2.2 Operational Balancing Agreements. Buyer shall retain all responsibilities for confirming all of Seller's daily deliveries to Buyer's city gates covered under Buyer's Operational Balancing Agreements (OBA) for both Tennessee and Algonquin. As such, any imbalances caused by Seller over or under delivering Buyer's Daily Nominated Quantities shall be the physical and financial responsibility of Seller. Any imbalances caused by Buyer physically taking greater or less than Buyer's Daily Nominated Quantities shall be the physical and financial responsibility of Buyer.

5.2.3 Projected Requirements. Buyer shall periodically provide Seller information concerning Buyer's expected Gas requirements on its distribution system. Buyer will also provide Seller information concerning any known or expected events that will cause material changes in Buyer's daily Gas requirements as soon as the information becomes known to Buyer. Buyer and Seller agree to work together on a daily basis to ensure that nominations (including any necessary adjustments thereto) are made timely on all applicable Transporters and such nominations reflect, as much as reasonably possible, Buyer's expected requirements.

5.2.4 Modification of Contracts. Seller will fully comply with all terms and conditions of the contracts listed in Appendix 1. Seller shall not amend, extend or cause the early termination of any transportation, underground storage or Gas Commodity Contract of Buyer which is subject to the Initial Term of this Agreement without the prior consent of Buyer. In the event such consent is provided orally it shall be followed up in writing by Buyer within 24 hours.

ARTICLE VI
INITIAL TERM OF AGREEMENT

6.1 Initial Term. This Agreement shall remain in full force and effect through Initial Term. The Parties acknowledge that Buyer must choose one of the following options by January 1, 2005, with respect to the Subsequent Term. If no choice is made by Buyer by such date, then Option 1 below shall apply by default:

Option 1:

To continue the Initial Term structure for Year 3 with the same Guarantee Payment pro rated for a one-year term (Year 3) and Net Profit Sharing.

Option 2:

To convert the Agreement to an alliance structure subject to the Terms and Conditions and structure of Buyer's RFP dated January 22, 2003. Included in this structure is Seller's right to maintain Firm unencumbered rights to 25,000 MMBtu per day of Texas Eastern transportation from the production area to M3 throughout Year 3.

If Buyer chooses to exercise Option 2, the Guaranteed Payment from Seller to buyer will be $**(REDACTED)** annually and Net Profits Sharing will**(REDACTED)**. Buyer and Seller agree that upon Buyers election of Option 2 an amendment to this Agreement will be executed to implement an alliance structure consistent with Seller's RFP response dated January 22 2003 and that if no such amendment has been agreed upon and executed by March 31, 2005 then Option 1 shall apply by default with the same Guaranteed Payment and Net Profit Sharing per Section 3.2.2. Net Profit Sharing per Section 4.2 shall be eliminated and Buyer will not longer be obligated to allow Seller to access and manage some or all of Buyer's certain assets used to meet seasonal requirements of Buyer's utilities that are not included in this Agreement.

Further, if Buyer elects Option 2, then (a) or (b) below shall apply as applicable:

-either-

a. If by March 31, 2005, Sellers actual storage balance is less than Buyer's storage inventory balance, Seller would repay the difference in kind ratably from April 1, 2005 through October 31, 2005. Buyer would provide applicable transportation to effect the redelivery. -or-

b. If by March 31, 2005, Seller's actual storage balance is greater than Buyer's storage inventory balance, Buyer would pay Seller for the difference based on the simple average of April 2005 through October 2005 first-of-the-month receipt point indices for the pipelines used to inject supply into Buyer's storage contracts (grossed up for all variable charges to the applicable storage contracts).

At end of Initial Term, Seller shall immediately assign or release back to Buyer all of Buyer's right, title and interest in the contracts listed on Appendix 1 free and clear of claims, liens, encumbrances restrictions and defects in title of any nature incurred as a result of Seller's acts or omissions

Notwithstanding the foregoing, any strategy that has been mutually accepted by the Parties under this Agreement (by assent or by performance) shall remain in full force and effect regardless of the Buyer choice of Option 1 or Option 2 above, unless the Buyer and Seller mutually agree to wind-down any such strategy.

The Parties acknowledge that during the Initial Term and the Subsequent Term, Seller shall have the right to maintain Firm unencumbered rights to 25,000 MMBtu per day of Texas Eastern capacity from the production area to M3.

6.2 Events of Default. In the event that EKT or one or more of the KeySpan Parties (the "Defaulting Party"):

(a) fails to make, when due, any payment under this Agreement and/or provide financial assurance if required pursuant to Section 2.4.6 above (which shall not include a delay that is cured within two (2) Business Days of a demand for corrective action);

(b) (Seller Only) fails to deliver pursuant to Section 2.4.3 [why not 2.4.1? ;

(c) fails to perform any other obligation (that is not referenced in (a) and (b) above) under this Agreement (which shall not include any failure of performance that is cured within five (5) Business Days of a demand for corrective action); or

(d) files a petition or otherwise commences, authorizes, or acquiesces in the commencement of a proceeding or cause under any bankruptcy or similar law for the protection of creditors or has such petition filed or proceeding commenced against it (unless such filing is objected to and dismissed within three (3) business days); or

(e) otherwise becomes bankrupt or insolvent (however evidenced); or

(f) makes an assignment or any general arrangement of all or substantially all of its assets for the benefit of creditors; or

(g) is dissolved or has a resolution passed for its winding up or liquidation (other than pursuant to a consolidation, acquisition, amalgamation or merger); or

(h) is financially unable to pay its debts as they fall due; or

(i) transfers all or substantially all of its assets or merges into or consolidates with any entity (i) where the creditworthiness of the resulting entity is rated below investment grade by either S&P or Moody's; or (ii) where the merging party's obligations are not assumed by operation of law or written instrument, or

(j) makes a materially incorrect or misleading representation or warranty under the Agreement

then, upon the occurrence and continuance of any such event (each an "Event of Default"), the counterparty ("Non-Defaulting Party") shall have the right to withhold or suspend its performance under this Agreement. In addition, the Non-Defaulting Party may establish a date (upon notice to the Defaulting Party) that shall be the "Early Termination Date." However, in the case of an Event of Default under clauses (d) through (i) above, an Early Termination Date shall be deemed to have occurred immediately prior to such event and no prior notice shall be required) upon which the Non-Defaulting Party may terminate and liquidate any and all outstanding Transactions under this Agreement. All amounts then currently owed or pending shall become immediately payable by the debtor party to the party owed. The Parties agree and acknowledge that if one or more of the KeySpan Parties are Defaulting Parties, then EKT shall have the right to wind down this Agreement as to all of the KeySpan Parties.

Upon the designation or occurrence of an Early Termination Date, the Parties' shall wind down this Agreement pursuant to Section 6.3, 6.4 or 6.5 (as applicable).

6.3 <u>Wind Down Upon an EKT Event of Default.</u> If this Agreement is terminated by the Buyer as a result of an EKT Event of Default, all capacity shall be automatically recalled by the KeySpan Parties, and EKT's obligation to pay any remaining Monthly Guaranty Payments shall cease as of the Early Termination Date. EKT shall exercise best efforts to unwind any related outstanding trading positions it has taken based on this Agreement and shall be solely and fully liable for such positions. KeySpan shall pay to EKT any amounts due for gas supplies hereunder. Further, EKT shall be obligated to calculate and pay the Buyer the applicable Net Profits percentage. EKT shall pay the Buyer such amount within thirty (30) days of the effective date of the termination.

6.4 Wind Down Upon an Event of Default by One or More KeySpan Parties or a Discretionary Termination. If this Agreement is terminated by EKT as a result of a KeySpan Party Event of Default or if this Agreement is terminated by Buyer as a result of a Discretionary Termination, the capacity hereunder shall be recallable upon KeySpan's payment to EKT of any amounts currently due or pending by the KeySpan Parties to EKT upon the Early Termination Date (unless such amounts are the subject of a good faith dispute by the KeySpan Parties, in which case the Parties shall establish a prompt and reasonable recall schedule for the capacity hereunder), and EKT's obligation to pay any remaining Guaranteed Value Payments shall cease as of the Early Termination Date. EKT shall calculate the Net Profits amount.

a. If upon such termination, the Net Profits amount is positive, KeySpan Parties shall:

(REDACTED)

If Net Profits are negative, **(REDACTED)**.

The Parties acknowledge that for this Section 6.4, "Prorated Guaranty Amount" shall replace "Total Guaranteed Amount" for the calculation of Net Profits upon termination. The KeySpan Parties reimbursement to EKT or (if applicable) EKT's obligation to pay the KeySpan Parties the Net Profit percentage shall occur within thirty (30) days of the effective date of the termination.

6.5 Wind Down Upon No-Fault Termination or Mandated Termination. If this Agreement is terminated based on a No-Fault Termination or if this Agreement is terminated by Buyer as a result of a Mandated Termination, the Parties shall establish a prompt and reasonable recall schedule for the capacity hereunder, and EKT's obligation to pay any remaining Guaranteed Value Payments shall cease as of the Early Termination Date. EKT shall calculate the Net Profits amount.

a. If upon such termination, the Net Profits amount is positive, KeySpan Parties shall:

(1) **(REDACTED)**

b. If Net Profits are negative, the KeySpan Parties Shall **(REDACTED)**.

The Parties acknowledge that for this Section 6.5, "Prorated Guaranty Amount" shall replace "Total Guaranteed Amount" for the calculation of Net Profits upon termination. The KeySpan Parties reimbursement to EKT or (if applicable) EKT's obligation to pay the KeySpan Parties the Net Profit percentage shall occur within thirty (30) days of the effective date of the termination.

A "No-Fault" Termination is a termination based on a suspension of performance based on Force Majeure.

6.6 In addition, the Non-defaulting Party shall have a general right of set off with respect to all amounts owed among the Parties hereunder, under this Agreement or any agreement or arrangement among the Parties. Obligations hereunder shall be deemed satisfied and discharged to the extent of any such setoff. A party shall give the affected party notice of any setoff effected under this section provided that a failure to provide such notice shall not affect the validity of the setoff.

ARTICLE VII
TITLE AND TAXES

7.1 Transfer of Title, Possession and Control. Title to the Gas sold hereunder shall pass from Seller to Buyer upon delivery of said Gas to the Delivery Points as reflected in Appendix 1. As between the Parties hereto, Seller shall be deemed to be in control and possession of all Gas delivered hereunder and shall indemnify and hold Buyer harmless from any damage, injury or losses which occur prior to the delivery to Buyer at the Delivery Points; otherwise, Buyer shall be deemed to be in exclusive control and possession thereafter and shall indemnify and hold Seller harmless from any other injury, damage or losses.

7.2 Warranty of Title. Except as set forth below, Seller warrants title to all Gas delivered hereunder by Seller, including the Ending Underground Storage Balance or that Seller has the right to sell the same, and that such Gas is free from liens and adverse claims of every kind. Seller will indemnify and save Buyer harmless against all loss, damage and expense of every character on account of adverse claims to the Gas delivered by it before delivery to Buyer.

7.3 Taxes. Other than ad valorem taxes on underground storage Gas which are subject to section 7.4 below, Buyer shall reimburse Seller for any taxes, fees or charges, other than an income tax, which are levied by a governmental or regulatory body on the Gas sold under this Agreement.

7.4 Ad Valorem Taxes If any underground storage Gas is subject to ad valorem property taxes during the Initial Term of this Agreement, Buyer shall be responsible for payment of such taxes regardless of whether title to such underground storage Gas is held by Buyer or Seller except if Seller injects Gas into underground storage for its own account or withdraws Gas from underground storage for purposes other than meeting the city gate requirements of Buyer, then Seller shall be responsible for payment of all applicable ad valorem taxes on the amounts so injected or withdrawn.

ARTICLE VIII
QUALITY AND PRESSURE

8.1 Pressure Requirements. All Gas delivered at the Delivery Points shall be at the pressure existing in Tennessee and Algonquin's facilities. Neither Seller nor Buyer shall be obligated to install or operate compression facilities.

ARTICLE IX
MEASUREMENT AND TESTS

9.1 Measurement Point. All Gas sold hereunder shall be measured at the Delivery Points on Tennessee and Algonquin systems at pressures in existence at the time of delivery and shall be measured to the unit of one MMBtu.

9.2 Standards for Measurement and Tests. Unless specified herein to the contrary, the standards for measurement and tests shall be governed by those standards set forth in the currently effective Tennessee and Algonquin tariffs.

ARTICLE X
BILLING AND PAYMENT

10.1 Billing and Payment. Seller shall render to Buyer, at the address indicated in Section 13.2 hereof, on or before the third business Day of each Month an estimate of all Gas volumes purchased during the preceding Month and on or before the fifteenth (15th) Day of each calendar Month an invoice for all Gas purchased during the preceding Month, according to the measurements, computations, and prices provided herein. Invoices may be based initially upon estimates, but will be corrected to actual as soon as possible. Buyer agrees to make payment hereunder to Seller for its account in available funds by wire transfer or by mail at such location as Seller may from time to time designate in writing. Payment shall be made by Buyer within ten (10) Days of the date of receipt of Seller's invoice. Notwithstanding the above, if a good faith dispute arises between the Parties over the amounts due under the invoice for any matters, other than any reimbursement for the demand or reservation charges under the Firm transportation and underground storage contracts, then Buyer will pay that portion of the invoice(s) not in dispute on or before the due date and both Parties will continue to perform their obligations under this Agreement during such dispute.

10.2 Review of Books and Records. For a period of two years after the date of final billing for the last Month in the Initial Term of this Agreement, Buyer and Seller shall have the right to inspect and examine, at reasonable hours, the books, records and charts of the other pertaining to any term or condition of this Agreement to the extent necessary to verify the accuracy of any invoice, charge or computation made pursuant to this Agreement.

10.3 If payment obligations hereunder are due and payable on the same date and invoices are received prior to the applicable payment date (pursuant to Section 10.1 above), then the Parties shall net such payment obligations arising under this Agreement such that the party owing the greater amount shall make a single payment of the net amount to the other party in accordance with this Article. The Parties acknowledge that if invoices are received on different dates for payment on the same due date and the invoices are received within the applicable time periods set forth in Section 10.3, then such invoiced amounts may be netted (if netting is applicable) on the applicable payment date.

ARTICLE XI
REGULATORY BODIES

11.1 Laws and Regulations. This Agreement is subject to all valid applicable governmental laws and orders, including but not limited to the FERC and DTE, regulatory authorizations directives, rules and regulations of any governmental body or official having jurisdiction over the Parties, their facilities, the Gas or this Agreement or any provision thereof; but nothing contained herein shall be construed as a waiver of any right to question or contest any such law, order, rule or regulation in any forum having jurisdiction.

11.2 Applicable Law. This Contract shall be construed in accordance with the laws of the Commonwealth of Massachusetts, excluding any conflict of laws and principles of said jurisdiction that might require the application of the laws of another jurisdiction.

11.3 Changes in Law or Regulation. If any federal or state statute or regulation or order by a court of law or regulatory authority directly or indirectly (i) prohibits performance under this Agreement, (ii) makes such performance illegal or impossible, or (iii) effects a change in a substantive provision of this Agreement which has a significant material adverse impact upon the ability of either Party to perform its obligations under this Agreement, then the Parties will use all reasonable efforts to revise the Agreement so that:

(a) performance under the Agreement is no longer prohibited, illegal, impossible or is no longer impacted in a material adverse fashion, and

(b) the Agreement is revised in a manner that preserves, to the maximum extent possible, the respective positions of the Parties.

Each Party will provide reasonable and prompt notice to the other Party as to any proposed law, regulations or any regulatory proceedings or actions that could affect the rights and obligations of the Parties. If the Parties are unable to revise the Agreement in accordance with the above, then the Party whose performance is rendered prohibited, illegal, and impossible or is impacted in a material adverse manner shall have the right, at its sole discretion, to suspend this Agreement upon written notice to the other Party. Either Party may then terminate this Agreement upon 30 Days written notice to the other Party.

If the Buyer terminates this Agreement based on its interpretation (or the interpretation of any of its counsel or advisors) that continued performance under this Agreement is not permitted by a change, directive, order of the like by a governing authority, such termination shall be referred to as a "Discretionary Termination."

If the Buyer terminates this Agreement based on an express mandate to do so by a governing authority, such termination shall be referred to as a "Mandated Termination."

ARTICLE XII
FORCE MAJEURE

12.1 Suspension of Receipt and Delivery Obligations. If Buyer or Seller is rendered unable, wholly or in part, by Force Majeure to perform obligations under this Agreement, other than the obligation to make payments due under this Agreement, it is agreed that the performance of the respective obligations of Seller and Buyer to deliver or purchase and receive Gas, so far as they are affected by Force Majeure, shall be excused and suspended from the inception of any such inability until it is corrected, but for no longer period. Buyer or Seller, whichever is claiming such inability, shall give notice thereof to the other as soon as practicable after the occurrence of the Force Majeure. Such notice may be given orally or in writing but, if given orally, it shall be promptly confirmed in writing, giving reasonably full particulars. Such inability shall be promptly corrected to the extent it may be corrected through the exercise of reasonable diligence by the Party claiming inability by reason of Force Majeure.

12.2 Liability During Force Majeure. Neither Buyer nor Seller shall be liable to the other for any losses or damages, regardless of the nature thereof and however occurring, whether such losses or damages be direct or indirect, immediate or remote, by reason of, caused by, arising out of or in any way attributable to suspension of the performance of any obligation of either Party to the extent that such suspension occurs because a Party is rendered unable, wholly or in part, by Force Majeure to perform its obligations.

12.3 Force Majeure. The term Force Majeure means an event: (i) that was not within the control of the Party claiming its occurrence; (ii) that could not have been prevented or avoided by such Party through the exercise of due diligence; and (iii) that prohibits or prevents such Party from performing its obligations under this Agreement. Events that may give rise to a claim of Force Majeure include:

12.3.1 Acts of God. The term acts of God, including earthquakes, epidemics, fires, floods, landslides, lightning, storms, washouts, weather related events such as hurricanes or freezing or failure of wells or lines of pipe used to supply the Gas described in this Agreement which prevents delivery to the delivery points, and other similar, unusual and severe natural calamities.

12.3.2 Acts of the public enemy, wars, blockage, insurrections, riots, civil disturbances and arrests.

12.3.3 Strikes, lockouts or other industrial disturbances.

12.3.4 Explosions, breakage, accidents to equipment, facilities or lines of pipe used to supply the Gas under this Agreement or explosions, breakage, accidents to equipment, facilities or lines of pipe used to enable Buyer to receive Gas under this Agreement, including without limitation to equipment, facilities or lines of pipe related to Buyer's liquefied natural gas facilities.

12.3.5 The temporary inability of Transporters to receive, transport or deliver the Gas described in this Agreement; or

12.3.6 Any other cause of a similar type provided that such cause satisfies each of the three conditions referenced in Section 12.3 hereof (i.e. "(i)-(iii)").

12.4 Termination. If a Force Majeure event continues for a period of two (2) Days, and the Parties, working together in good faith, have been unable to resolve such Force Majuere event, then the Party which did not claim such Force Majeure may at any time thereafter terminate this Agreement upon forty eight (48) hours prior written notice to the extent the Force Majeure event has not been corrected prior to the expiration of such notice period. Such termination shall be considered a "No-Fault Termination."

12.5 Notwithstanding anything in this Article XII to the contrary, if, upon the occurrence of a Force Majeure event, (a) first of the month gas is curtailed, and (b) delivery to KeySpan is possible, then EKT shall deliver gas supply quantities hereunder to KeySpan upon the occurrence of a Force Majeure event, provided that the Parties negotiate a mutually acceptable price for such quantities (such revised price shall only apply during the duration of the applicable Force Majeure event). If EKT's performance is suspended in connection with supply obligations that are of like-kind to the supply obligation hereunder as a result of Force Majeure, EKT shall perform (to the extent possible) such obligations on a pro-rated basis.

ARTICLE XIII
MISCELLANEOUS

13.1 Confidentiality. Except as otherwise provided herein, Seller and Buyer agree to maintain the confidentiality of the price provisions of this Agreement and Seller and Buyer agree not to divulge same to any third Party except to the extent, and only to the extent, required by law, court order or the order or regulation of an administrative agency having jurisdiction over Buyer and Seller, or the subject matter of this Agreement. If required to be disclosed, then the Party subject to the disclosure requirement shall (a) notify the other Party immediately, and (b) cooperate to the fullest extent in seeking whatever confidential status may be available to protect any material so disclosed.

Notwithstanding anything herein to the contrary, Buyer or Seller (and any employee, representative, or other agent of Buyer or Seller) may disclose to any and all persons , without limitation of any kind, the tax treatment and tax structure of the transactions contemplated by this agreement and all materials of any kind (including opinions or other tax analyses) that are provided to it relating to such tax treatment and tax structure. However, any such information relating to the tax treatment or tax structure is required to be kept confidential to the extent necessary to comply with any applicable federal or state securities laws.

13.2 Notices. Except as otherwise expressly provided in this Agreement, every notice, request, statements and invoices provided in this Agreement shall be in writing and directed to the Party to whom given, made or delivered at such Party's address as follows:

Buyer: KeySpan Energy Delivery New England
52 Second Avenue, 4th Floor
Waltham, MA 02451
Attention: Elizabeth Arangio
Director Gas Supply Planning

Telephone: 781-466-5057 Fax: 781-290-0186

For Payments:
KeySpan Corporation
Citibank
Account # 00036871
ABA # 021000089

For Nominations:
Buyer shall provide to EKT (from time to time) a primary and secondary contact (collectively referred to as "Buyer Designated Representatives").

Seller: Entergy-Koch Trading, LP
20 East Greenway Plaza, Suite 700
Houston, TX 77046
Attention: Chris Beggins

For Nominations:
EKT shall provide to Buyer (from time to time) a primary and secondary contact (collectively referred to as "EKT Designated Representatives").

For Payments:
Wire Transfer
JPMorgan Chase Bank, New York, NY
Account # 323-009-980
ABA #021-000-021

Either Buyer or Seller may change one or more of its addresses for receiving invoices, statements, notices, nominations and payments by notifying the other in writing.

13.3 Headings. The Table of Contents and the headings of any article, section or subsection of this Agreement are for purposes of convenience only and shall not be interpreted as having meaning or effect.

13.4 Waiver of Default. No waiver by either Party of one or more defaults or breaches by the other in performance of any of the terms or provisions of this Agreement shall operate or be construed as a waiver of any future default or breach, whether of a like or of a different character.

13.5 Entire Agreement. The terms and conditions contained herein constitute the full and complete agreement between the Parties and any change to be made must be submitted in writing and agreed to by both Parties. This Agreement amends, restates and supersedes the 2003 Agreement.

13.6 Enforceability. This Agreement shall inure to the benefit of and be binding upon the Parties and their respective heirs, successors and assigns. Each Party represents that it has all necessary power and authority to enter into and perform its obligations under this Agreement and that this Agreement constitutes a legal, valid and binding obligation of that Party enforceable against it in accordance with its terms, except as such enforceability may be affected by any bankruptcy law or the application of principles of equity. The Parties agree that the transactions hereunder constitute a "forward contract" within the meaning of the United States Bankruptcy Code and that Buyer and Seller are each "forward contract merchants" within the meaning of the United States Bankruptcy Code.

13.7 Assignment and Organizational Changes. Seller shall not assign its rights or obligations under this Agreement without the express written consent of Buyer. In the event of a Change of Control of Seller occurring during the Initial Term of this Agreement, Buyer shall have the right to terminate this Agreement upon thirty (30) Days written notice to Seller. For purposes of this Section, 13.7 "Change of Control" means the occurrence of any one or more of the following events: (a) the shareholders of Seller approve a merger or consolidation of Seller with any other entity, (b) the shareholders of Seller approve a plan of liquidation of Seller or an agreement for the sale or disposition by Seller of all or substantially all of its assets, or (c) if a majority of the key individuals at Seller, who at the beginning of this Agreement are providing the services for Buyer under this Agreement are no longer employed by Seller.

13.8 NAESB Compliance. Seller warrants and represents that all computer hardware or software used in Seller's performance of this Agreement is and will continue to be compatible with the latest software release of NAESB.

13.9 Necessary Authorizations. Each Party represents that it has all necessary corporate, legal and other authority, including regulatory approval, to enter into this Agreement and to perform each and every duty and obligation imposed herein, and that this Agreement, represents a valid, binding and enforceable legal obligation of each Party. No Party to this Agreement entered into hereunder shall be required to investigate the authority of the person executing this Agreement entered into hereunder as a condition to enforcing the terms of this Agreement.

13.10 Compliance with Laws. Each of the KeySpan Parties represents to EKT that (i) to the best of its knowledge, its execution and performance of this Agreement will not violate any provisions of any federal, state or local laws and will not result in the breach or violation of, constitute a default under, or result in the creation of any lien, charge or encumbrance upon any of its assets, and (ii) it shall comply with all any federal, state or local laws and any applicable tariff requirements applicable to this Agreement.

EKT represents to the KeySpan Parties that (i) to the best of its knowledge, EKT's execution and performance of this Agreement will not violate any provisions of any federal, state or local laws and will not result in the breach or violation of, constitute a default under, or result in the creation of any lien, charge or encumbrance upon any of the Buyer's assets, and (ii) EKT shall comply with all any federal, state or local laws and any applicable tariff requirements applicable to this Agreement.

13.11 The KeySpan Parties acknowledge that they are jointly obligated to perform the Buyer's obligation hereunder.

13.12 EXCEPT AS OTHERWISE SPECIFICALLY PROVIDED HEREIN, IN NO EVENT WILL ANY PARTY BE LIABLE UNDER THIS AGREEMENT, WHETHER IN CONTRACT, IN TORT (INCLUDING NEGLIGENCE AND STRICT LIABILITY), OR OTHERWISE, FOR INCIDENTAL, INDIRECT, CONSEQUENTIAL, SPECIAL, OR PUNITIVE DAMAGES.

IN WITNESS WHEREOF, the Parties hereto have caused these presents to be executed by their respective officers thereunto duly authorized as of the Day and year first written.

[THIS SPACE INTENTIONALLY LEFT BLANK]

SIGNATURES ON FOLLOWING PAGE

BOSTON GAS COMPANY
d/b/a KeySpan Energy Delivery New England

By: ______________________
Signature

____
Print Name

____
Buyer

ENTERGY-KOCH TRADING LP

By: ______________________
Signature

____
Print Name

____
Seller

ESSEX GAS COMPANY
d/b/a KeySpan Energy Delivery New England

By: ______________________
Signature

____
Print Name

____
Buyer

COLONIAL GAS COMPANY
d/b/a KeySpan Energy Delivery New England

By:______________________
Signature

____
Print Name

____
Buyer

FIRST SET OF INFORMATION REQUESTS OF
THE ATTORNEY GENERAL
TO KEYSPAN ENERGY DELIVERY NEW ENGLAND

D.T.E. 06-9

Confidential Attachment

Dated: March 9, 2006
Respondent: Elizabeth D. Arangio

Information Request AG 1-23

Q. Please provide copies of all contracts between any of KeySpan Utilities and KSCS. If there are any other KeySpan affiliates that are involved in the procurement, management and dispatch of gas for KeySpan's Massachusetts Facilities, provide copies of all contracts under which such services are provided.

A. Attachment AG 1-23(a) is a copy of the January 1, 2006 KeySpan Corporate Services Agreement that was filed with the Department on January 10, 2006 in accordance with Massachusetts General Laws Chapter 164 § 85A. Attachment AG 1-23(b) is a copy of the Management Services Agreement between the Company and Northeast Gas Markets ("NEGM") approved by the Department in KeySpan Energy Delivery New England, D.T.E. 04-29 whereby NEGM provides certain management and contract administration services to KeySpan with respect to its Canadian gas resources.

Please note that certain terms contained in the NEGM Management Services Agreement are confidential, and therefore, a redacted version of the agreement is provided herewith for the public record. Because these terms are not covered by the Motion for Confidentiality granted by the Department on February 27, 2006, the Company has filed on this date a separate Motion requesting such treatment. In addition, the Company has provided a confidential version of the Agreement to the Department and to the Attorney General subject to a non-disclosure agreement.

KEYSPAN
Energy Delivery

KeySpan Energy Delivery
52 Second Avenue
Waltham, MA 02451
Tel 781 466-5136
Fax 781 290-4965
E-mail toneill@keyspanenergy.com

Thomas P. O'Neill
Senior Counsel

Via Federal Express

January 10, 2006

Mary L. Cottrell, Secretary
Department of Telecommunications and Energy
1 South Station, 2nd Floor
Boston, MA 02110

Re: Corporate Service Agreement

Dear Ms. Cottrell:

In accordance with Massachusetts General Laws Chapter 164 § 85A, attached are nine (9) copies of the KeySpan Corporate Services LLC ("KSC") Service Agreement dated January 1, 2006, to which Boston Gas Company, Essex Gas Company and Colonial Gas Company each d/b/a KeySpan Energy Delivery New England are parties, effective January 1, 2006 for services through December 31, 2006. This agreement contains the same terms as that filed with the Department on January 10, 2005 for the time period January 1, 2005 through December 31, 2005.

Please contact me if you need anything further.

Very truly yours,

Thomas P. O'Neill

TPO/ca
Enclosures

cc: Joseph W. Rogers, Esq.
Office of the Attorney General

KeySpan Corporate Services LLC

SERVICE AGREEMENT

This Service Agreement ("Agreement") dated as of January 1, 2006 by and between KeySpan Corporate Services LLC ("KCS"), a New York limited liability company and KeySpan Corporation, KeySpan Gas East Corporation d/b/a KeySpan Energy Delivery Long Island, The Brooklyn Union Gas Company d/b/a KeySpan Energy Delivery New York, KeySpan Generation LLC, KeySpan Electric Services LLC, KeySpan Services, Inc., KEDC Holdings Corp., KeySpan Ravenswood Services, Corp., KeySpan Energy Trading Services LLC, Boston Gas Company d/b/a KeySpan Energy Delivery New England, Colonial Gas Company d/b/a KeySpan Energy Delivery New England, Essex Gas Company d/b/a KeySpan Energy Delivery New England, EnergyNorth Natural Gas, Inc. d/b/a KeySpan Energy Delivery New England, KeySpan MHK, Inc., KeySpan Technologies, Inc., KeySpan Utility Services LLC, KeySpan Engineering & Survey Inc., KeySpan – Glenwood Energy Center, LLC, KeySpan – Port Jefferson Energy Center, LLC, KeySpan Energy Services Inc., KeySpan Energy Supply, LLC and KeySpan Exploration and Production, LLC (individually a "Client Company" and collectively, the "Client Companies"). KCS and the Client Companies may each be referred to herein as a "Party," and collectively referred to herein as the "Parties."

WITNESSETH:

WHEREAS, KCS is a wholly owned subsidiary of KeySpan Corporation ("KeySpan") which is a registered holding company under the Public Utility Holding Company Act of 1935, as amended (the "Act");

WHEREAS, the Securities and Exchange Commission (the "SEC") has approved and authorized KCS as a service company pursuant to Section 13(b) of the Act and the SEC regulations promulgated thereunder to provide services to KeySpan and its subsidiaries; and

WHEREAS, KCS and the Client Companies desire for KCS to provide, and the Client Company to accept, the services provided for hereunder in accordance with the terms of this Agreement.

WHEREAS, the Act is being repealed effective February 6, 2006 and the impact on this Agreement is currently under review. It is anticipated that this Agreement will become subject to the regulations of the Federal Energy Regulatory Commission under the rules and regulations of the Public Utility Holding Company Act of 2005 ("PUCHA 2005").

WHEREAS, the terms of this Agreement are subject to review and amendment pursuant to PUCHA 2005, and any new rules and regulations implemented by FERC related to service companies, however during any interim period, the terms of the Agreement shall continue to be applicable.

NOW THEREFORE, in consideration of the mutual representations, covenants and agreements hereinafter set forth, and intending to be legally bound hereby, the Parties hereto agree as follows:

ARTICLE 1
SERVICES

1.1 Services Offered. Exhibit I to this Agreement describes the services that KCS offers to furnish to a Client Company (in accordance with the terms and conditions set forth herein) upon written request of such Client Company. In addition to the services described in Exhibit I hereto, KCS may also provide a Client Company with such special services, as may be requested by such Client Company in writing, which the Service Company concludes it is able to perform. In supplying services hereunder to a Client Company, KCS may arrange, where it deems appropriate, for the services of such experts, consultants, advisers and other persons with necessary qualifications as are required for, or pertinent to, the performance of such services.

1.2 Services Selected.

(a) Each Client Company shall make its initial selection of the services set forth in Section 1.1 above that it agrees to receive from KCS by providing KCS an executed service request in the form set forth in Exhibit II.

(b) By December 1 of calendar year, KCS shall send an annual service proposal to each Client Company listing the services proposed for the next calendar year. By December 31, each Client Company shall notify KCS in writing of the services it elects to receive from KCS during the next calendar year.

1.3 Modification of Services. A Client Company shall have the right from time to time to amend, alter or rescind any activity, project, program or work order provided that (i) such amendment or alteration which results in a material change in the scope of the services to be performed or equipment to be provided is agreed to by KCS, (ii) the cost for the services covered by the activity, project, program or work order shall include any expense incurred by KCS as a direct result of such amendment, alteration or rescission of the activity, project, program or work order, and (iii) no amendment, alteration or rescission of an activity, project, program or work order shall release a Client Company from liability for all costs already incurred by or contracted for by KCS pursuant to the activity, project, program or work order, regardless of whether the services associated with such costs have been completed. Any request made by a Client Company pursuant to this Section 1.3 shall be in writing to KCS and shall take effect on the first day of the first calendar month which is at least thirty (30) days after the day that the Client Company sent the written notice to KCS.

1.4 Service Receipt Limitations.

(a) KeySpan Gas East Corporation d/b/a KeySpan Energy Delivery Long Island ("KED Long Island"), The Brooklyn Union Gas Company d/b/a KeySpan Energy Delivery New York ("KED New York"), Boston Gas Company d/b/a KeySpan Energy Delivery New England ("Boston Gas"), Colonial Gas Company d/b/a KeySpan Energy Delivery New England ("Colonial Gas"), Essex Gas Company d/b/a KeySpan Energy Delivery New England ("Essex Gas") and EnergyNorth Natural Gas Company d/b/a KeySpan Energy Delivery New England ("EnergyNorth") agree that:

(i) They will not incur a charge hereunder except in accordance with their respective state and the rules, regulations and orders of their respective state Public Service Commission or its' equivalent promulgated thereunder; and

(ii) They will not seek to reflect in rates any cost incurred hereunder to the extent disallowed by their respective state Public Service Commission or its' equivalent.

(b) Notwithstanding anything in this Agreement to the contrary, KCS, KED Long Island, KED New York, Boston Gas, Colonial Gas, Essex Gas and EnergyNorth agree that because of the agreements set forth in Section 1.4(a) above, KED Long Island, KED New York, Boston Gas, Colonial Gas, Essex Gas and EnergyNorth will not accept services from KCS hereunder if the cost to be charged for such services differs from the amount of the charges KED Long Island, KED New York, Boston Gas, Colonial Gas, Essex Gas and EnergyNorth are permitted to incur under their respective state and the rules, regulations and orders of their respective state Public Service Commission or its' equivalent promulgated thereunder.

ARTICLE 2
COMPENSATION AND BILLING

2.1 Compensation. As and to the extent required by law, KCS shall provide the services hereunder at cost. Exhibit I hereto set forth the rules KCS shall use for determining and allocating costs to the Client Companies. KCS shall advise the Client Companies from time to time of any material change in the method of assignment or allocation of costs hereunder, and no such material change shall be made unless and until KCS shall have first given written notice to the SEC not less than sixty (60) days prior to the proposed effective date thereof.

2.2 Invoices. By the 20th day of each month, KCS shall render a monthly bill to each Client Company which shall reflect the billing information necessary to identify the costs charged for the services KCS provided in the preceding month. A Client Company shall pay its invoice by check, wire transfer or money pool transaction to KCS (at the account designated by KCS) within 30 days after receiving the invoice. If an invoice is not paid by the 30th day after the invoice is received (the "Due Date"), the Client Company shall pay interest on any amount outstanding after the Due Date at the current money pool rate.

ARTICLE 3
TERM AND TERMINATION

3.1 Effective Date. This Agreement shall become effective on the date hereof, subject to receipt of all required federal or state regulatory approvals.

3.2 Termination. This Agreement shall continue in full force and effect with respect to KCS and a Client Company until (a) terminated by the Client Company upon sixty (60) days advance written notice to KCS, or (b) terminated by KCS upon sixty (60) days advance written notice to a Client Company. This Agreement shall also be subject to termination or modification at any time, without notice, if and to the extent performance under this Agreement may conflict with the Act, PUCHA 2005, or with any rule, regulation or order of the SEC or FERC adopted before or after the date of this Service Agreement.

ARTICLE 4
MISCELLANEOUS

4.1 Modification. Except as set forth in Article 2 and Sections 1.3, 3.2 and 4.4, no amendment or other modification of this Agreement shall be effective unless made in writing and executed by all of the Parties to this Agreement.

4.2 Notices. Where written notice is required by this Agreement, said notice shall be deemed given when mailed by United States registered or certified mail, postage prepaid, return receipt requested, addressed as follows:

To KCS:

KeySpan Corporate Services LLC
One MetroTech Center
Brooklyn, New York 11201

To Client Company:

The name and address of the person designated in writing to KCS on the date the Client Company executes this Agreement.

4.3 Accounts. All accounts and records of KCS shall be kept in accordance with the General Rules and Regulations promulgated by the SEC pursuant to the Act, in particular, the Uniform System of Accounts for Mutual Service Companies and Subsidiary Service Companies in effect from and after the date hereof. Upon request, KCS shall permit a Client Company reasonable access to the accounts and records of KCS relating to the services performed for such Client Company hereunder.

4.4 Additional Client Companies. After the effective date of this Agreement, any new or existing direct or indirect subsidiary of KeySpan may become an additional Client Company under this Agreement by becoming a signatory to this Agreement.

4.5 Waiver. Except as otherwise provided in this Agreement, any failure of a Party to comply with any obligation, covenant, agreement, or condition herein may be waived by the Party entitled to the benefits thereof only by a written instrument signed by the Party granting such waiver, but such waiver or failure to insist upon strict compliance with such obligation, covenant, agreement, or condition shall not operate as a waiver of, or estoppel with respect to, any subsequent or other failure.

4.6 No Third Party Beneficiaries. Nothing in this Agreement is intended to confer upon any other person except the Parties any rights or remedies hereunder or shall create any third party beneficiary rights in any person. No provision of this Agreement shall create any rights in any such persons in respect of any benefits that may be provided, directly or indirectly, under any employee benefit plan or arrangement except as expressly provided for thereunder.

4.7 Governing Law This Agreement shall be governed by and construed in accordance with the laws of the State of New York (regardless of the laws that might otherwise govern under applicable principles of conflicts of law).

4.8 Counterparts. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

4.9 Entire Agreement. This Agreement including the exhibits referred to herein or therein, constitute the entire agreement and understanding of the Parties in respect of the transactions contemplated by this Agreement. KCS and each Client Company may enter into non-binding service level agreements (as described more fully in KCS' policies and procedures manual), the purpose of which will be to set forth in general terms the shared service expectations between KCS and the Client Company as a managerial tool to facilitate matching the Client Companies needs to the capabilities of KCS. There are no restrictions, promises, representations, warranties, covenants or undertakings other than those expressly set forth or referred to herein or therein. This Agreement supersedes all prior agreements and understandings between the Parties with respect to the transactions contemplated by this Agreement.

4.10 Severability. If any term or other provision of this Agreement is invalid, illegal or incapable of being enforced by any rule of law or public policy, all other conditions and provisions of this Agreement shall nevertheless remain in full force and effect.

4.11 Independent Contractor Status. Nothing in this Agreement shall be construed as creating any relationship between KCS and the Client Companies other than that of independent contractors.

4.12 Assignment. KCS shall not assign this Agreement, or any of its rights or obligations hereunder without the prior written consent of the Client Companies, such consent not to be unreasonably withheld. A Client Company shall not assign this Agreement, or any of its rights or obligations hereunder without the prior written consent of KCS. This Agreement shall inure to the benefit and shall be binding upon the Parties and their permitted successors and assigns.

IN WITNESS WHEREOF, KCS and the Client Companies have caused this Service Agreement to be signed by their respective duly authorized officers as of the date first above written.

KeySpan Corporate Services LLC

By:________________________
Name: Lenore F. Puleo
Title: Executive Vice President, Shared Services

KeySpan Gas East Corporation d/b/a KeySpan Energy Delivery Long Island

By:________________________
Name: Wallace P. Parker Jr.
Title: President

The Brooklyn Union Gas Company d/b/a KeySpan Energy Delivery New York

By:________________________
Name: Gerald Luterman
Title: Executive Vice President and Chief Financial Officer

KeySpan Generation LLC

By:________________________
Name: Anthony Nozzolillo
Title: President

KeySpan Electric Services LLC

By:________________________
Name: Anthony Nozzolillo
Title: President and

KeySpan Services, Inc.

By:____________________________
Name: Wallace P. Parker Jr.
Title: Chief Executive Officer

KEDC Holdings Corp.

By:____________________________
Name: Steven L. Zelkowitz
Title: President

KeySpan Ravenswood Services, Corp.

By:____________________________
Name: Anthony Nozzolillo
Title: President

KeySpan Energy Trading Services LLC

By:____________________________
Name: Richard A. Rapp, jr.
Title: President

Boston Gas Company d/b/a KeySpan Energy
Delivery New England

By: Nicholas Stavropoulos
Name: Nickolas Stavropoulos
Title: President and Chief
Operating Officer

Colonial Gas Company d/b/a KeySpan Energy Delivery New England

By: [signature]
Name: Nickolas Stavropoulos
Title: President and Chief Operating Officer

Essex Gas Company d/b/a KeySpan Energy Delivery New England

By: [signature]
Name: Nickolas Stavropoulos
Title: President and Chief Operating Officer

EnergyNorth Natural Gas Company d/b/a KeySpan Energy Delivery New England

By: [signature]
Name: Nickolas Stavropoulos
Title: President and Chief Operating Officer

KeySpan MHK, Inc.

By: [signature]
Name: Steven L. Zelkowitz
Title: President

KeySpan Technologies, Inc.

By: ____________________
Name: Steven L. Zelkowitz
Title: President

KeySpan Utility Services LLC

By:______________________________

Name: Wallace P. Parker Jr.

Title: President

KeySpan Engineering & Survey, Inc.

By:______________________________

Name: Robert M. Kascsak, P.E.

Title: Chief Executive Officer, Engineering

KeySpan – Glenwood Energy Center, LLC

By: ______________________________

Name: Anthony Nozzolillo

Title: President

KeySpan – Port Jefferson Energy Center, LLC

By: ______________________________

Name: Anthony Nozzolillo

Title: President

KeySpan Energy Services Inc.

By: ______________________________

Name: Steven L. Zelkowitz

Title: President

KeySpan Energy Supply, LLC

By: ______________________________

Name: Richard A. Rapp, Jr.
Title: Senior Vice President

KeySpan Exploration and Production, LLC

By: ______________________________

Name: Steven L. Zelkowitz
Title: President

EXHIBIT I

Description of Services, Cost Accumulation, Assignment, Allocation Methodologies and Policies and Procedures for KCS

A. Description of Services Offered by KeySpan Corporate Services

1. Corporate Affairs

Provide services in support of corporation strategies for managing relationships with federal, state and local governments, agencies and legislative bodies. Formulate and assist with public relations and communications, programs and administration of corporate philanthropic and community affairs programs, creative and production services and media relations.

2. Customer Services

Provide services and systems dedicated to customer service, including meter reading and billing, remittance, credit, collections, customer relations, customer communication and advocacy, call center operations, customer offices and field operations, revenue protection and customer strategy.

3. Environmental Services

Provide consulting, assessment, investigation, remediation and other activities as required by Client Companies to ensure full compliance with applicable environmental statutes and regulations, permitting, licensing, due diligence, waste management, emergency response and laboratory operations.

4. Executive and Administrative

Advise and assist Client Companies in the formulation and execution of general plans and policies of Client Companies. Advise and assist Client Companies as to operations, the issuance of securities, the preparation of filings arising out of or required by the various federal and state securities, business, public utilities and corporation laws, the selection of executive and administrative personnel, the representation of Client Companies before regulatory bodies, proposals for capital expenditures, budgets, financing, acquisition and disposition of properties, expansion of business, rate structures, public relationships and other related matters.

5. Financial Services

Accounting – Perform, advise and assist Client Companies in accounting matters, including the research and development of accounting practices, procedures and controls, the maintenance of the general ledger and related subsidiary systems, the preparation and analysis of financial reports, and the processing of certain transactions such as accounts payable, payroll, customer accounting, cash management and fixed assets.

Auditing – Periodically conduct operating audits and audits of the accounting records and other records maintained by Client Companies and coordinating their examination, where applicable, with that of independent public accountants. The audit staff will report on their examination and submit recommendations, as appropriate, on improving methods of internal control, accounting procedures and operating procedures and policies.

Financial Planning – Advise and assist Client Companies with operating and capital budgets and capital expenditure decisions. Perform economic analysis, short and long-term financial forecasting, merger and acquisition analysis, financing related activities, and activities relating to rating agency relationships for Client Companies and the consolidated entity.

Investor Relations and Shareholder Services – Provide fair and accurate analysis of KeySpan Corporation and its operating subsidiaries and its outlook within the financial community, enhancing KSE's position in the energy industry; balancing and diversifying shareholder investment in KSE through a wide range of activities; providing feedback to KSE and its operating subsidiaries regarding investor concerns, trading and ownership; holding periodic analysts meetings; and providing various operating data as requested or required by investors.

Risk Management – Advise and assist Client Companies in securing requisite insurance, in the purchase and administration of all property, casualty and marine insurance, and workers' compensation, in the settlement of insured claims and in providing risk prevention advice.

Tax – Perform, advise and assist Client Companies in the preparation of Federal, state and local income and franchise tax returns, calculation and accrual of book income taxes, due diligence in connection with acquisitions and performance of tax planning functions. Execute Federal, state and local income and franchise tax returns on behalf of Client Companies.

Treasury/Finance – Provide services related to managing all administrative activities associated with financing, including management of capital structure; cash, credit and risk management activities; investment and commercial banking relationships; and general financing activities, pension, 401K and venture capital investments.

6. Human Resources

Provide central administration for payroll, and employee benefit and pension plans of Client Companies. Perform policy, planning and analysis functions as related to compensation and benefit plans. Advise and assist Client Companies in the administration of such plans and prepare and maintain records of said plans. Direct and administer all medical and health activities of Client Companies.

Advise and assist Client Companies in the formulation and administration of employee staffing and performance evaluation, the design and administration of training programs for employee career development, the design and administration of diversity and EEO programs.

Advise and assist Client Companies in the formulation and administration of employee relations policies and programs relating to the relevant Client Companies' employee and labor relations.

7. Information Technology

Provide the organization and resources for the operation of an information technology function including the development, implementation and operation of a centralized data processing facility and the management of a telecommunications network. This function includes the central processing of computerized applications and support of individual applications in Client Companies. Develop, implement, operate and maintain those computerized applications for Client Companies that can be economically best accomplished on a centralized basis.

Software Pooling – Accept from Client Companies ownership of and rights to use, assign, license or sub-license all software owned, acquired or developed by or for Client Companies which Client Companies can and do transfer or assign to it. Preserve and protect the rights to all such software to the extent reasonable and appropriate under the circumstances; license Client Companies, on a non-exclusive, no charge or at-cost basis, to use all software which KCS has the right to sell, license or sub-license; and, at KCS' expense, permit Client Companies to enhance any such software and license others to use all such software and enhancements to the extent that KCS shall have the legal right to so permit.

8. Legal and Regulatory

Legal and Regulatory - Provide advice and assistance with respect to legal and regulatory issues as well as regulatory compliance, including Act authorizations and compliance, as well as other regulatory and trade matters under other Federal and State laws. Represent the Client Companies before Federal and State courts and regulatory agencies and in arbitration and other dispute resolution proceedings.

Corporate Secretary's Office - Provide all necessary functions required of a publicly held corporation; coordinating information and activities among shareholders, the transfer agent, and Board of Directors; providing direct services to security holders; conducting the annual meeting of shareholders and ensuring proper maintenance of corporate records, as well as other activities related to corporate governance.

9. Operating Services

Facilities Management and Real Estate – Perform planning, administration and operations related to managing Client Company properties, including leasing, renting company properties and permitting and purchase and sale of real property. Administer duplicating services, mailroom operations and print shops. Perform activities related to maintaining company properties, determining requirements and designing occupancy layouts.

Fleet Management – Perform activities related to purchasing, leasing, and maintaining vehicles for Client Companies.

Materials Management and Purchasing – Advise and assist Client Companies in the procurement of real and personal property, materials, supplies and services, conduct purchase negotiations, prepare procurement agreements and administer programs of material control, and provide warehousing and distribution services for Client Companies.

Security – Provide activities to ensure a secure working environment, protect and safeguard company assets, safeguard and transport company receipts, and performance of investigations.

10. Strategic Planning and Corporate Performance

Perform strategic planning, administration and implementation of corporate branding, customer relationship marketing, new business ventures, market research and metrics, market intelligence, marketing competency management and measurement, business improvement and e-commerce as related to all Client Companies - both individually and as a whole. Determine, implement and track corporate performance goals, initiatives and measures.

11. Gas Supply

Manage the gas procurement, planning, nominations, and transportation of gas. This includes all functions related to the supply and transportation of natural gas to customers; including management of gas contracts and gas inventories, review and processing of invoices, projection of send-out requirements, billings to third parties and off-system sales, and the maintenance of a reliable and least cost portfolio of resources.

12. Gas Operations

Management and Administrative Services. Provide services for the management and administration of gas operations including, but not limited to, the management and supervision of construction services, field coordinators, maintenance of service facilities and processing field requests.

Operations Support Services. Provide administrative and operational support services including, but not limited to, the handling of incoming dispatch calls related to field service orders and generate orders for gas odor, emergency response, meter work, and appliance repair.

Provide administrative and operational support services including, but not limited to managing leaks by recording, tracking, and reporting known system leaks on the distribution and transmission system. This service shall be conducted with the objective of ensuring that all DOT and state regulatory requirements are met that pertain to the proper documentation and reporting to the appropriate authorities.

Provide administrative and operational support services including, but not limited to receiving and forwarding all DigSafe excavator notifications to the proper Company operations center and dispatch emergency DigSafe notifications to the proper Company operating center. This service shall be conducted with the objective of ensuring that all DOT and state regulatory requirements are met that pertain to a one-call damage prevention program.

Purchase, repair and refurbish meters for KEDNE Client Companies.

Provide administrative and operational support services including, but not limited to, gas operations performance measurement as well as assistance in the preparation and analysis of operating and capital expenditure budget and forecasts of KEDNE Companies

Field Services. Perform all Field Service functions relating to field service order generation billing to the customer, manage the meter inventory control and reporting, and maintain order history data for KEDNE Companies.

T&D System Planning Services. Provide KEDNE Companies with services and systems dedicated to maintaining the changes and additions to the pipeline as it pertains to mapping, reporting, and providing location and demand data for network analysis. This also includes the analysis and evaluation of load data for large customers.

13. Gas Marketing and Sales Services

Provide marketing and sales services and systems.

B. Methods of Allocation

Cost of service will be determined in accordance with the Act and the rules and regulations and orders thereunder, and will include all costs of doing business incurred by KCS, including a reasonable return on capital which will reflect a capitalization of KCS of no more than equity of ten percent (10%), and all associated taxes.

KCS will maintain an accounting system for accumulating all costs on a project, activity or other appropriate basis. The accounting system will use codes to assign charges to the applicable costs center, project, activity and account. Records will be kept by each cost center of KCS in order to accumulate all costs of doing business. Expenses of the department will include salaries and wages of employees, materials and supplies and all other expenses attributable to the department. Labor cost will be loaded for fringe benefits and payroll taxes. To the extent practicable, time records of hours worked by all service company employees, including all officers of such company (i.e., Chief Executive Officer, President and Vice Presidents), will be kept by project and activity. In supplying services, KCS may arrange where it deems appropriate, for the services of experts, consultants, advisors and other persons with necessary qualifications as are required to perform such services. KCS will establish annual budgets for controlling the expenses of each department.

Monthly KCS costs will be directly assigned to Client Companies where possible. Amounts that cannot be directly assigned will be allocated to Client Companies by means of equitable allocation formulae or clearing accounts. To the extent possible, such allocations shall be based on cost-causation relationships. All other allocations will be broad based. In some instances, KCS costs centers which perform work for other service company cost centers may use a surrogate allocation method that mimics the allocations of the receiver cost center. Each formula will have an appropriate basis such as meters, square footage, etc.

Each Client Company will take agreed upon services and such additional or general or special services, whether or not now contemplated, as are requested from time to time by such Client Company and which KCS concludes it is able to perform. No amendment, alteration or rescission of an activity or project shall release a Client Company from liability for all costs already incurred by, or contracted for, by KCS pursuant to the project or activity regardless of whether the services associated with such costs have been completed.

Allocation percentages will be calculated on historical data where appropriate and updated annually. Due to the unique nature of the management services agreement contract with the Long Island Power Authority (LIPA), the bases of the LIPA (such as revenues, assets, etc. managed on their behalf) will be included, with the applicable Client Company's data, in order to determine appropriate allocations.

The method of assignment or allocation of costs shall be reviewed annually or more frequently if appropriate. If the use of a basis of allocation would result in an inequity because of a change in operations or organization, then KCS may adjust the basis to effect an equitable distribution.

The applications of Service Allocations are described more fully below.

Service Department Or Function	Basis of Allocation
Corporate Affairs	3-point formula
Customer Services	# of phone calls # of bills # of meters % of Accounts Receivable 3-point formula
Environmental Services	Clearing Property 3-point formula
Executive and Administrative	3-point formula
Financial Services	3-point formula Property # of Meters # of Bills
General Engineering	Clearing Property 3-point formula
Human Resources	# of Employees 3-point formula

Information Technology	# of Meters # of employees Revenue Clearing 3-point formula
Legal and Regulatory	3-point formula
Marketing and Sales	3-point formula
Operating Services	sendout # of bills # of meters # of vehicles % of square footage occupied # of employees Clearing 3-point formula
Research and Development	3-point formula
Strategic Planning and Corporate Performance	3-point formula
Gas Supply	3-point formula sendout
Gas Operations: Administrative Services	3-point formula
Support Services	3-point formula # of meters
Field Services	3-point formula # of meters
T&D System Planning Services	3-point formula property
Gas Marketing and Sale Services	3-point formula

Definition of Allocation Factors to be used by KCS

Assets - A ratio based on total assets at the end of the year, the numerator of which is for a specific client company and the denominator being all recipient client companies. This ratio will be calculated annually based on actual experience.

# of Bills - A ratio based on the number of customer bills processed for the previous calendar year, the numerator of which is for a specific client company and the denominator being all recipient client companies. This ratio will be calculated annually based on actual experience.

Clearing – costs are accumulated and distributed among cost centers based on the type of expenditure in the account. Clearing accounts can be used to accumulate overhead charges (such as fringe benefits) or specific service charges (such as transportation). Distribution of charges is done on a related basis such as labor costs for fringe benefits or number of vehicles for transportation.

# of Employees – A ratio based on the number of full time employees at the end of the year, the numerator of which is for a specific client company and the denominator being all recipient client companies. This ratio will be calculated annually based on actual experience.

# of Meters – A ratio based on the number of meters at the end of the year, the numerator of which is for a specific client company and the denominator being all recipient client companies. This ratio will be calculated annually based on actual experience..

Payroll - A ratio based on total wages, salaries, commissions and other forms of compensation paid during the year which are reportable, for federal income tax purposes, as taxable income to the employee, the numerator of which is for a specific client company and the denominator being all recipient client companies. This ratio will be calculated annually based on actual experience.

# of Phone Calls - A ratio based on the number of telephone calls handled for the previous calendar year, the numerator of which is for a specific client company and the denominator being all recipient client companies. This ratio will be calculated annually based on actual experience.

Property - A ratio based on gross fixed assets, valued at original acquisition costs, and investments owned in other companies, including construction work in progress, at the end of the year, the numerator of which is for a specific client company and the denominator being all recipient client companies. This ratio will be calculated annually based on actual experience.

Revenue - A ratio based on the revenue for the previous calendar year, the numerator of which is for a specific client company and the denominator being all recipient client companies. This ratio will be calculated annually based on actual experience.

Sendout - A ratio based on the sendout for the previous calendar year, including gas used by the Client entity but excluding transportation customer volumes delivered for another gas supplier, the numerator of which is for a specific client company and the denominator being all recipient client companies. This ratio will be calculated annually based on actual experience.

% of Square Footage Occupied - A ratio based on the square footage of office and non office space occupied, the numerator of which is for a specific client company and the denominator being all recipient client companies. This ratio will be calculated annually based on actual experience.

3-Point Formula – This formula consists of three factors. It is designed to be an equitable and feasible tool to act as a surrogate when direct charging or cost causal relationships can not be established. It is a calculated ratio, which compares each of the formula factors for the Client Company to the total of the same factors for all recipient Client Companies. The factors are an equal weighting of Revenue, Assets, and Expenses. This ratio will be calculated annually based on actual experience.

# of Vehicles – A ratio based on the number of vehicles at the end of the year, the numerator of which is for a specific client company and the denominator being all recipient client companies. This ratio will be calculated annually based on actual experience.

EXHIBIT II
Form of Initial Service Request

The undersigned requests from KeySpan Corporate Services LLC all of the services selected below. The services requested hereunder shall commence on January 1, 2006 and be provided through December 31, 2006.

Service	Yes	No
Corporate Affairs	X	
Customer Service		X
Environmental Services	X	
Executive and Administrative	X	
Financial Services		
Accounting/Auditing	X	
Financial Planning	X	
Investor Relations and Shareholder Serv.	X	
Risk Management	X	
Tax	X	
Treasury/Finance	X	
Human Resources	X	
Information Technology	X	
Legal and Regulatory		
Legal and Regulatory	X	
Corporate Secretary's Office	X	
Operating Services		
Facilities Management & Real Estate	X	
Fleet Management	X	
Materials Management and Purchasing	X	
Security	X	
Strategic Planning and Corp Performance	X	

KeySpan Corporation

By: ______________________

Name: Robert B. Catell
Title: Chairman and Chief Executive Officer

Notice to Client Company:

Written notice pursuant to Section 4.2 of this Agreement to the Client Company should be sent to:

Robert B. Catell
Chairman and Chief Executive Officer
One MetroTech Center
Brooklyn, NY 11201

EXHIBIT II
Form of Initial Service Request

The undersigned requests from KeySpan Corporate Services LLC all of the services selected below. The services requested hereunder shall commence on January 1, 2006 and be provided through December 31, 2006.

Service	Yes	No
Corporate Affairs	X	
Customer Service	X	
Environmental Services	X	
Executive and Administrative	X	
Financial Services		
Accounting/Auditing	X	
Financial Planning	X	
Investor Relations and Shareholder Serv.	X	
Risk Management	X	
Tax	X	
Treasury/Finance	X	
Human Resources	X	
Information Technology	X	
Legal and Regulatory		
Legal and Regulatory	X	
Corporate Secretary's Office	X	
Operating Services		
Facilities Management & Real Estate	X	
Fleet Management	X	
Materials Management and Purchasing	X	
Security	X	
Strategic Planning and Corp Performance	X	

KeySpan Gas East Corporation d/b/a KeySpan Energy Delivery Long Island

By: ______________________
Name: Wallace P. Parker Jr.
Title: President

Notice to Client Company:

Written notice pursuant to Section 4.2 of this Agreement to the Client Company should be sent to:

Wallace P. Parker, Jr.
President and Chief Operating Officer
175 East Old Country Road
Hicksville, NY 11801

EXHIBIT II

Form of Initial Service Request

The undersigned requests from KeySpan Corporate Services LLC all of the services selected below. The services requested hereunder shall commence on January 1, 2006 and be provided through December 31, 2006.

Service	Yes	No
Corporate Affairs	X	___
Customer Service	X	___
Environmental Services	X	___
Executive and Administrative	X	___
Financial Services		
Accounting/Auditing	X	___
Financial Planning	X	___
Investor Relations and Shareholder Serv.	X	___
Risk Management	X	___
Tax	X	___
Treasury/Finance	X	___
Human Resources	X	___
Information Technology	X	___
Legal and Regulatory		
Legal and Regulatory	X	___
Corporate Secretary's Office	X	___
Operating Services		
Facilities Management & Real Estate	X	___
Fleet Management	X	___
Materials Management and Purchasing	X	___
Security	X	___
Strategic Planning and Corp Performance	X	___

The Brooklyn Union Gas Company d/b/a KeySpan Energy Delivery New York

By: ______________________________

Name: Gerald Luterman

Title: Executive Vice President and Chief Financial Officer

Notice to Client Company:

Written notice pursuant to Section 4.2 of this Agreement to the Client Company should be sent to:

Gerald Luterman
Executive Vice President and Chief Financial Officer
One MetroTech Center
Brooklyn, NY 11201

EXHIBIT II

Form of Initial Service Request

The undersigned requests from KeySpan Corporate Services LLC all of the services selected below. The services requested hereunder shall commence on January 1, 2006 and be provided through December 31, 2006.

Service	Yes	No
Corporate Affairs	X	
Customer Service		X
Environmental Services	X	
Executive and Administrative	X	
Financial Services		
Accounting/Auditing	X	
Financial Planning	X	
Investor Relations and Shareholder Serv.	X	
Risk Management	X	
Tax	X	
Treasury/Finance	X	
Human Resources	X	
Information Technology	X	
Legal and Regulatory		
Legal and Regulatory	X	
Corporate Secretary's Office	X	
Operating Services		
Facilities Management & Real Estate	X	
Fleet Management	X	
Materials Management and Purchasing	X	
Security	X	
Strategic Planning and Corp Performance	X	

KeySpan Generation LLC

By: ______________________________

Name: Anthony Nozzolillo

Title: President

Notice to Client Company:

Written notice pursuant to Section 4.2 of this Agreement to the Client Company should be sent to:

Anthony Nozzolillo
President and Chief Operating Officer
175 East Old Country Road
Hicksville, NY 11801

Form of Initial Service Request

The undersigned requests from KeySpan Corporate Services LLC all of the services selected below. The services requested hereunder shall commence on January 1, 2006 and be provided through December 31, 2006.

Service	Yes	No
Corporate Affairs	X	____
Customer Service	X	____
Environmental Services	X	____
Executive and Administrative	X	____
Financial Services		
Accounting/Auditing	X	____
Financial Planning	X	____
Investor Relations and Shareholder Serv.	X	____
Risk Management	X	____
Tax	X	____
Treasury/Finance	X	____
Human Resources	X	____
Information Technology	X	____
Legal and Regulatory		
Legal and Regulatory	X	____
Corporate Secretary's Office	X	____
Operating Services		
Facilities Management & Real Estate	X	____
Fleet Management	X	____
Materials Management and Purchasing	X	____
Security	X	____
Strategic Planning and Corp Performance	X	____

KeySpan Electric Services LLC

By: ______________________________
Name: Anthony Nozzolillo
Title: President

Notice to Client Company:

Written notice pursuant to Section 4.2 of this Agreement to the Client Company should be sent to:

Anthony Nozzolillo
President and Chief Operating Officer
175 East Old Country Road
Hicksville, NY 11801

The undersigned requests from KeySpan Corporate Services LLC all of the services selected below. The services requested hereunder shall commence on January 1, 2006 and be provided through December 31, 2006.

Service	Yes	No
Corporate Affairs	X	
Customer Service	X	
Environmental Services	X	
Executive and Administrative	X	
Financial Services		
Accounting/Auditing	X	
Financial Planning	X	
Investor Relations and Shareholder Serv.	X	
Risk Management	X	
Tax	X	
Treasury/Finance	X	
Human Resources	X	
Information Technology	X	
Legal and Regulatory		
Legal and Regulatory	X	
Corporate Secretary's Office	X	
Operating Services		
Facilities Management & Real Estate		X
Fleet Management		X
Materials Management and Purchasing	X	
Security		X
Strategic Planning and Corp Performance	X	

KeySpan Services, Inc.

By: ____________________

Name: Wallace P. Parker Jr.
Title: Chief Executive Officer

Notice to Client Company:

Written notice pursuant to Section 4.2 of this Agreement to the Client Company should be sent to:

Wallace P. Parker Jr.
Chief Executive Officer
One MetroTech Center
Brooklyn, NY 11201

EXHIBIT II

Form of Initial Service Request

The undersigned requests from KeySpan Corporate Services LLC all of the services selected below. The services requested hereunder shall commence on January 1, 2006 and be provided through December 31, 2006.

Service	Yes	No
Corporate Affairs	X	
Customer Service		X
Environmental Services	X	
Executive and Administrative	X	
Financial Services		
Accounting/Auditing	X	
Financial Planning	X	
Investor Relations and Shareholder Serv.	X	
Risk Management	X	
Tax	X	
Treasury/Finance	X	
Human Resources	X	
Information Technology	X	
Legal and Regulatory		
Legal and Regulatory	X	
Corporate Secretary's Office	X	
Operating Services		
Facilities Management & Real Estate	X	
Fleet Management	X	
Materials Management and Purchasing	X	
Security	X	
Strategic Planning and Corp Performance	X	

KEDC Holdings Corp.

By: ______________________

Name: Steven L. Zelkowitz

Title: President

Notice to Client Company:

Written notice pursuant to Section 4.2 of this Agreement to the Client Company should be sent to:

Michael J. Nilsen
Vice President, Finance
One MetroTech Center
Brooklyn, NY 11201

EXHIBIT II

Form of Initial Service Request

The undersigned requests from KeySpan Corporate Services LLC all of the services selected below. The services requested hereunder shall commence on January 1, 2006 and be provided through December 31, 2006.

Service	Yes	No
Corporate Affairs	X	
Customer Service		X
Environmental Services	X	
Executive and Administrative	X	
Financial Services		
Accounting/Auditing	X	
Financial Planning	X	
Investor Relations and Shareholder Serv.	X	
Risk Management	X	
Tax	X	
Treasury/Finance	X	
Human Resources	X	
Information Technology	X	
Legal and Regulatory		
Legal and Regulatory	X	
Corporate Secretary's Office	X	
Operating Services		
Facilities Management & Real Estate	X	
Fleet Management	X	
Materials Management and Purchasing	X	
Security	X	
Strategic Planning and Corp Performance	X	

KeySpan Ravenswood Services, Corp.

By: ______________________________

Name: Anthony Nozzolillo

Title: President

Notice to Client Company:

Written notice pursuant to Section 4.2 of this Agreement to the Client Company should be sent to:

James K. Brennan
President
175 East Old Country Road
Hicksville, NY 11801

EXHIBIT II

Form of Initial Service Request

The undersigned requests from KeySpan Corporate Services LLC all of the services selected below. The services requested hereunder shall commence on January 1, 2006 and be provided through December 31, 2006.

Service	Yes	No
Corporate Affairs	X	
Customer Service		X
Environmental Services		X
Executive and Administrative	X	
Financial Services		
Accounting/Auditing	X	
Financial Planning	X	
Investor Relations and Shareholder Serv.	X	
Risk Management	X	
Tax	X	
Treasury/Finance	X	
Human Resources	X	
Information Technology	X	
Legal and Regulatory		
Legal and Regulatory	X	
Corporate Secretary's Office	X	
Operating Services		
Facilities Management & Real Estate	X	
Fleet Management	X	
Materials Management and Purchasing	X	
Security	X	
Strategic Planning and Corp Performance	X	

KeySpan Energy Trading Services LLC

By: ______________________

Name: Richard A. Rapp, Jr.
Title: President

Notice to Client Company:

Written notice pursuant to Section 4.2 of this Agreement to the Client Company should be sent to:

Ronald G. Lukas
President
100 Old Country Road
Hicksville, NY 11801

EXHIBIT II

Form of Initial Service Request

The undersigned requests from KeySpan Corporate Services LLC all of the services selected below. The services requested hereunder shall commence on January 1, 2006 and be provided through December 31, 2006.

Service	Yes	No
Corporate Affairs	X	
Customer Service	X	
Environmental Services	X	
Executive and Administrative	X	
Financial Services		
Accounting/Auditing	X	
Financial Planning	X	
Investor Relations and Shareholder Serv.	X	
Risk Management	X	
Tax	X	
Treasury/Finance	X	
Human Resources	X	
Information Technology	X	
Legal and Regulatory		
Legal and Regulatory	X	
Corporate Secretary's Office	X	
Operating Services		
Facilities Management & Real Estate	X	
Fleet Management	X	
Materials Management and Purchasing	X	
Security	X	
Strategic Planning and Corp Performance	X	
Gas Supply	X	
Gas Operations		
Administrative Services	X	
Support Services	X	
Field Services	X	
T&D System Planning Services	X	
Gas Marketing and Sales Services	X	

Boston Gas Company d/b/a KeySpan Energy Delivery New England

By: [signature]

Name: Nickolas Stavropoulos
Title: President and Chief Operating Officer

Notice to Client Company:

Written notice pursuant to Section 4.2 of this Agreement to the Client Company should be sent to:

Nickolas Stavropoulos
President and Chief Executive Officer
52 Second Avenue
Waltham, MA 02451

EXHIBIT II
Form of Initial Service Request

The undersigned requests from KeySpan Corporate Services LLC all of the services selected below. The services requested hereunder shall commence on January 1, 2006 and be provided through December 31, 2006.

Service	Yes	No
Corporate Affairs	X	
Customer Service	X	
Environmental Services	X	
Executive and Administrative	X	
Financial Services		
Accounting/Auditing	X	
Financial Planning	X	
Investor Relations and Shareholder Serv.	X	
Risk Management	X	
Tax	X	
Treasury/Finance	X	
Human Resources	X	
Information Technology	X	
Legal and Regulatory		
Legal and Regulatory	X	
Corporate Secretary's Office	X	
Operating Services		
Facilities Management & Real Estate	X	
Fleet Management	X	
Materials Management and Purchasing	X	
Security	X	
Strategic Planning and Corp Performance	X	
Gas Supply	X	
Gas Operations		
Administrative Services	X	
Support Services	X	
Field Services	X	
T&D System Planning Services	X	
Gas Marketing and Sales Services	X	

Colonial Gas Company d/b/a KeySpan Energy Delivery New England

By: Nickolas Stavropoulos

Name: Nickolas Stavropoulos
Title: President and Chief Operating Officer

Notice to Client Company:

Written notice pursuant to Section 4.2 of this Agreement to the Client Company should be sent to:

Nickolas Stavropoulos
President and Chief Executive Officer
52 Second Avenue
Waltham, MA 02451

EXHIBIT II
Form of Initial Service Request

The undersigned requests from KeySpan Corporate Services LLC all of the services selected below. The services requested hereunder shall commence on January 1, 2006 and be provided through December 31, 2006.

Service	Yes	No
Corporate Affairs	X	
Customer Service	X	
Environmental Services	X	
Executive and Administrative	X	
Financial Services		
Accounting/Auditing	X	
Financial Planning	X	
Investor Relations and Shareholder Serv.	X	
Risk Management	X	
Tax	X	
Treasury/Finance	X	
Human Resources	X	
Information Technology	X	
Legal and Regulatory	X	
Legal and Regulatory	X	
Corporate Secretary's Office	X	
Operating Services		
Facilities Management & Real Estate	X	
Fleet Management	X	
Materials Management and Purchasing	X	
Security	X	
Strategic Planning and Corp Performance	X	
Gas Supply	X	
Gas Operations	X	
Administrative Services	X	
Support Services	X	
Field Services	X	
T&D System Planning Services	X	
Gas Marketing and Sales Services	X	

Essex Gas Company d/b/a KeySpan Energy Delivery New England

By: Nickolas Stavropoulos

Name: Nickolas Stavropoulos
Title: President and Chief Operating Officer

Notice to Client Company:

Written notice pursuant to Section 4.2 of this Agreement to the Client Company should be sent to:

Nickolas Stavropoulos
President and Chief Executive Officer
52 Second Avenue
Waltham, MA 02451

EXHIBIT II
Form of Initial Service Request

The undersigned requests from KeySpan Corporate Services LLC all of the services selected below. The services requested hereunder shall commence on January 1, 2006 and be provided through December 31, 2006.

Service	Yes	No
Corporate Affairs	X	
Customer Service	X	
Environmental Services	X	
Executive and Administrative	X	
Financial Services		
Accounting/Auditing	X	
Financial Planning	X	
Investor Relations and Shareholder Serv.	X	
Risk Management	X	
Tax	X	
Treasury/Finance	X	
Human Resources	X	
Information Technology	X	
Legal and Regulatory		
Legal and Regulatory	X	
Corporate Secretary's Office	X	
Operating Services		
Facilities Management & Real Estate	X	
Fleet Management	X	
Materials Management and Purchasing	X	
Security	X	
Strategic Planning and Corp Performance	X	
Gas Supply	X	
Gas Operations		
Administrative Services	X	
Support Services	X	
Field Services	X	
T&D System Planning Services	X	
Gas Marketing and Sales Services	X	

EnergyNorth Natural Gas, Inc. d/b/a KeySpan Energy Delivery New England

By: [signature]

Name: Nickolas Stavropoulos

Title: President and Chief Operating Officer

Notice to Client Company:

Written notice pursuant to Section 4.2 of this Agreement to the Client Company should be sent to:

Nickolas Stavropoulos
President and Chief Executive Officer
52 Second Avenue
Waltham, MA 02451

EXHIBIT II
Form of Initial Service Request

The undersigned requests from KeySpan Corporate Services LLC all of the services selected below. The services requested hereunder shall commence on January 1, 2006 and be provided through December 31, 2006.

Service	Yes	No
Corporate Affairs		X
Customer Service		X
Environmental Services		X
Executive and Administrative	X	
Financial Services		
Accounting/Auditing	X	
Financial Planning	X	
Investor Relations and Shareholder Serv.	X	
Risk Management	X	
Tax	X	
Treasury/Finance	X	
Human Resources		X
Information Technology	X	
Legal and Regulatory		
Legal and Regulatory	X	
Corporate Secretary's Office	X	
Operating Services		
Facilities Management & Real Estate		X
Fleet Management		X
Materials Management and Purchasing	X	
Security		X
Strategic Planning and Corp Performance	X	

KeySpan MHK, Inc.

By: __________________________
Name: Steven L. Zelkowitz
Title: President

Notice to Client Company:

Written notice pursuant to Section 4.2 of this Agreement to the Client Company should be sent to:

John A. Caroselli
President
One MetroTech Center
Brooklyn, NY 11201

EXHIBIT II

Form of Initial Service Request

The undersigned requests from KeySpan Corporate Services LLC all of the services selected below. The services requested hereunder shall commence on January 1, 2006 and be provided through December 31, 2006.

Service	Yes	No
Corporate Affairs	____	X
Customer Service	____	X
Environmental Services	____	X
Executive and Administrative	____	X
Financial Services		
Accounting/Auditing	X	____
Financial Planning	X	____
Investor Relations and Shareholder Serv.	X	____
Risk Management	X	____
Tax	X	____
Treasury/Finance	X	____
Human Resources	X	____
Information Technology	X	____
Legal and Regulatory		
Legal and Regulatory	X	____
Corporate Secretary's Office	X	____
Operating Services		
Facilities Management & Real Estate	____	X
Fleet Management	____	X
Materials Management and Purchasing	X	____
Security	____	X
Strategic Planning and Corp Performance	X	____

KeySpan Technologies, Inc.

By: ______________________________

Name: Steven L. Zelkowitz

Title: President

Notice to Client Company:

Written notice pursuant to Section 4.2 of this Agreement to the Client Company should be sent to:

John A. Caroselli
President
One MetroTech Center
Brooklyn, NY 11201

EXHIBIT II

Form of Initial Service Request

The undersigned requests from KeySpan Corporate Services LLC all of the services selected below. The services requested hereunder shall commence on January 1, 2006 and be provided through December 31, 2006.

Service	Yes	No
Corporate Affairs	X	
Customer Service		X
Environmental Services	X	
Executive and Administrative	X	
Financial Services		
Accounting/Auditing	X	
Financial Planning	X	
Investor Relations and Shareholder Serv.	X	
Risk Management	X	
Tax	X	
Treasury/Finance	X	
Human Resources	X	
Information Technology	X	
Legal and Regulatory		
Legal and Regulatory	X	
Corporate Secretary's Office	X	
Operating Services		
Facilities Management & Real Estate	X	
Fleet Management	X	
Materials Management and Purchasing	X	
Security	X	
Strategic Planning and Corp Performance	X	

KeySpan Utility Services LLC

By: ____________________

Name: Wallace P. Parker Jr.

Title: President

Notice to Client Company:

Written notice pursuant to Section 4.2 of this Agreement to the Client Company should be sent to:

Wallace P. Parker Jr.
President and Chief Operating Officer
175 East Old Country Road
Hicksville, NY 11801

Form of Initial Service Request

The undersigned requests from KeySpan Corporate Services LLC all of the services selected below. The services requested hereunder shall commence on January 1, 2006 and be provided through December 31, 2006.

Service	Yes	No
Corporate Affairs	X	
Customer Service		X
Environmental Services	X	
Executive and Administrative	X	
Financial Services		
Accounting/Auditing	X	
Financial Planning	X	
Investor Relations and Shareholder Serv.	X	
Risk Management	X	
Tax	X	
Treasury/Finance	X	
Human Resources	X	
Information Technology	X	
Legal and Regulatory		
Legal and Regulatory	X	
Corporate Secretary's Office	X	
Operating Services		
Facilities Management & Real Estate	X	
Fleet Management	X	
Materials Management and Purchasing	X	
Security	X	
Strategic Planning and Corp Performance	X	

KeySpan Engineering & Survey, Inc.

By: ______________________________

Name: Robert M. Kascsak, P.E.
Title: Chief Executive Officer, Engineering

Notice to Client Company:

Written notice pursuant to Section 4.2 of this Agreement to the Client Company should be sent to:

Robert M. Kascsak, P.E.
Chief Executive Officer, Engineering
175 East Old Country Road
Hicksville, NY 11801

Form of Initial Service Request

The undersigned requests from KeySpan Corporate Services LLC all of the services selected below. The services requested hereunder shall commence on January 1, 2006 and be provided through December 31, 2006.

Service	Yes	No
Corporate Affairs	X	
Customer Service		X
Environmental Services	X	
Executive and Administrative	X	
Financial Services		
Accounting/Auditing	X	
Financial Planning	X	
Investor Relations and Shareholder Serv.	X	
Risk Management	X	
Tax	X	
Treasury/Finance	X	
Human Resources	X	
Information Technology	X	
Legal and Regulatory	X	
Legal and Regulatory	X	
Corporate Secretary's Office	X	
Operating Services		
Facilities Management & Real Estate	X	
Fleet Management	X	
Materials Management and Purchasing	X	
Security	X	
Strategic Planning and Corp Performance	X	

KeySpan – Glenwood Energy Center, LLC

By: ______________________

Name: Anthony Nozzolillo
Title: President

Notice to Client Company:

Written notice pursuant to Section 4.2 of this Agreement to the Client Company should be sent to:

Anthony Nozzolillo
President & Chief Operating Officer
175 East Old Country Road
Hicksville, NY 11801

EXHIBIT II

Form of Initial Service Request

The undersigned requests from KeySpan Corporate Services LLC all of the services selected below. The services requested hereunder shall commence on January 1, 2006 and be provided through December 31, 2006.

Service	Yes	No
Corporate Affairs	X	
Customer Service		X
Environmental Services	X	
Executive and Administrative	X	
Financial Services		
Accounting/Auditing	X	
Financial Planning	X	
Investor Relations and Shareholder Serv.	X	
Risk Management	X	
Tax	X	
Treasury/Finance	X	
Human Resources	X	
Information Technology	X	
Legal and Regulatory	X	
Legal and Regulatory	X	
Corporate Secretary's Office	X	
Operating Services		
Facilities Management & Real Estate	X	
Fleet Management	X	
Materials Management and Purchasing	X	
Security	X	
Strategic Planning and Corp Performance	X	

KeySpan – Port Jefferson Energy Center, LLC

By: ______________________________

Name: Anthony Nozzolillo

Title: President

Notice to Client Company:

Written notice pursuant to Section 4.2 of this Agreement to the Client Company should be sent to:

Anthony Nozzolillo
President
175 East Old Country Road
Hicksville, NY 11801

EXHIBIT II
Form of Initial Service Request

The undersigned requests from KeySpan Corporate Services LLC all of the services selected below. The services requested hereunder shall commence on January 1, 2006 and be provided through December 31, 2006.

Service	Yes	No
Corporate Affairs	X	
Customer Service		X
Environmental Services		X
Executive and Administrative	X	
Financial Services		
Accounting/Auditing	X	
Financial Planning	X	
Investor Relations and Shareholder Serv.	X	
Risk Management	X	
Tax	X	
Treasury/Finance	X	
Human Resources	X	
Information Technology	X	
Legal and Regulatory		
Legal and Regulatory	X	
Corporate Secretary's Office	X	
Operating Services		
Facilities Management & Real Estate	X	
Fleet Management	X	
Materials Management and Purchasing	X	
Security	X	
Strategic Planning and Corp Performance	X	

KeySpan Energy Services Inc.

By: ______________________________
Name: Steven L. Zelkowitz.
Title: President

Notice to Client Company:

Written notice pursuant to Section 4.2 of this Agreement to the Client Company should be sent to:

Richard A. Rapp, Jr.
President
303 Merrick Road
Lynbrook, NY 11563

EXHIBIT II
Form of Initial Service Request

The undersigned requests from KeySpan Corporate Services LLC all of the services selected below. The services requested hereunder shall commence on January 1, 2006 and be provided through December 31, 2006.

Service	Yes	No
Corporate Affairs	X	
Customer Service		X
Environmental Services		X
Executive and Administrative	X	
Financial Services		
Accounting/Auditing	X	
Financial Planning	X	
Investor Relations and Shareholder Serv.	X	
Risk Management	X	
Tax	X	
Treasury/Finance	X	
Human Resources	X	
Information Technology	X	
Legal and Regulatory		
Legal and Regulatory	X	
Corporate Secretary's Office	X	
Operating Services		
Facilities Management & Real Estate	X	
Fleet Management	X	
Materials Management and Purchasing	X	
Security	X	
Strategic Planning and Corp Performance	X	

KeySpan Energy Supply, LLC

By: ____________________
Name: Richard A. Rapp, Jr.
Title: Senior Vice President

Notice to Client Company:

Written notice pursuant to Section 4.2 of this Agreement to the Client Company should be sent to:

Richard A. Rapp, Jr.
Senior Vice President
303 Merrick Road-Suite 501
Lynbrook, NY 11563

EXHIBIT II
Form of Initial Service Request

The undersigned requests from KeySpan Corporate Services LLC all of the services selected below. The services requested hereunder shall commence on January 1, 2006 and be provided through December 31, 2006.

Service	Yes	No
Corporate Affairs	___	X
Customer Service	___	X
Environmental Services	___	X
Executive and Administrative	X	___
Financial Services		
Accounting/Auditing	X	___
Financial Planning	X	___
Investor Relations and Shareholder Serv.	X	___
Risk Management	X	___
Tax	X	___
Treasury/Finance	X	___
Human Resources	___	X
Information Technology	___	X
Legal and Regulatory		
Legal and Regulatory	X	___
Corporate Secretary's Office	X	___
Operating Services		
Facilities Management & Real Estate	___	X
Fleet Management	___	X
Materials Management and Purchasing	___	X
Security	___	X
Strategic Planning and Corp Performance	X	___

KeySpan Exploration and Production, LLC

By: ____________________
Name: Steven L. Zelkowitz
Title: President

Notice to Client Company:

Written notice pursuant to Section 4.2 of this Agreement to the Client Company should be sent to:

Michael J. Nilsen
Vice President, President
One MetroTech Center
Brooklyn, NY 11201

Northeast Gas Markets

100 Cummings Center
Suite 457G
Beverly, MA 01915
Telephone: (978) 922-1194
Fax: (978) 922-1195

MANAGEMENT SERVICES AGREEMENT

This Management Services Agreement is made this 4th day of February, 2004 by and among Northeast Gas Markets LLC ("NEGM") and the following local distribution companies: Bay State Gas Company; The Berkshire Gas Company; Boston Gas Company d/b/a/ KeySpan Energy Delivery New England; Connecticut Natural Gas Corporation; KeySpan Utility Services LLC as agent for The Brooklyn Union Gas Company d/b/a/ KeySpan Energy Delivery New York; EnergyNorth Natural Gas, Inc. d/b/a/ KeySpan Energy Delivery New England; Essex Gas Company d/b/a/ KeySpan Energy Delivery New England; KeySpan Utility Services LLC as agent for KeySpan Gas East Corporation d/b/a/ KeySpan Energy Delivery Long Island; and, Northern Utilities, Inc. (herein individually "Customer" and collectively "Customers").

WITNESSETH:

WHEREAS, pursuant to the Agency Agreement entered into by NEGM and Customers ("Agency Agreement" or "AA"), each Customer has authorized NEGM to act on its behalf as administrative agent for all purposes under its respective Gas Sales

Agreement(s) with BP Canada Energy Company and/or NEXEN Marketing (collectively, the "Suppliers") of even date herewith, providing for the sale and export by the Suppliers and the purchase and import by such Customer of Canadian natural gas (individually "Gas Sales Agreement" or "GSA" and collectively "Gas Sales Agreements"), the form of each such Gas Sales Agreement being appended to the Agency Agreement;

WHEREAS, Customers seek to secure the services of NEGM to implement and administer on behalf of Customers the Gas Sales Agreements; and,

WHEREAS, NEGM is willing to implement and administer on behalf of Customers the Gas Sales Agreements on the terms and conditions set forth herein.

NOW, THEREFORE, in consideration of the premises and mutual covenants contained herein, NEGM and Customers mutually agree as follows:

1. Unless otherwise provided, all terms defined in the Gas Sales Agreements and the Agency Agreement shall have the same meaning when used in this Agreement.

2. NEGM will render all operational, management, contract administration, coordination, reporting, accounting and bookkeeping services necessary for NEGM to administer the Gas Sales Agreements, subject to all applicable regulatory authorizations. NEGM, subject to review and approval of Customers, shall maintain and update as necessary an operating manual detailing the procedures to be followed by NEGM and Customers and shall provide a copy of such operating manual and updates thereto to all Customers.

Specifically, NEGM shall provide the following services under this Agreement:

SERVICES SCHEDULE

a. Maintain records of quantities and total heating value of Gas sold by the Suppliers to each Customer and transportation volumes allocated at the Niagara check meter by Tennessee to the account of each Customer, and verify that such allocation conforms to the allocation of volumes by Canadian transporters reflected in monthly invoices rendered by the Suppliers;

b. Transmit promptly to the respective Customer all notices received from the Suppliers under a Gas Sales Agreement, receive notices from Customers of their Scheduled Contract Quantities pursuant to GSA Section 5.1, transmit to the Suppliers the nominations of each Customer pursuant to GSA Section 5.1;

c. Coordinate re-offerings of Gas not nominated by individual Customers to other Customers pursuant to GSA Section 5.1 and AA Section 3;

d. Notify promptly Customers of the effective monthly Contract Price and, when applicable, the effective Reference Price under the respective Gas Sales Agreements;

e. Prepare and file on behalf of Customers any operational reports which may be required by regulatory authorities, including without limitation quarterly reports required by the U.S. Department of Energy Office of Fossil Energy;

f. Prepare and file required U.S. Customs forms and arrange for payment of any levies pertaining to the importation of Gas;

g. Analyze and reconcile the nominated and received Gas volumes;

h. Review periodic meter station inspections reports concerning Tennessee's (and, if appropriate, that of TransCanada PipeLines Ltd.) Niagara check meter facility and if necessary, witness annual inspection of same;

i. Open and maintain such bank accounts as may be necessary for NEGM to perform its services pursuant to this Agreement;

j. Coordinate meetings of representatives of Customers, the Suppliers, Tennessee, and any other appropriate parties, as may be necessary to discuss and resolve operational, commercial and regulatory issues;

k. Retain legal counsel and other outside professional services as directed by Customers;

l. Acknowledge the receipt, and verify the accuracy, of invoices from the Suppliers and from third parties, including but not limited to taxing authorities, vendors, lawyers and consultants;

m. Render invoices to each Customer for amounts due in accordance with the terms of the respective Gas Sales Agreements, the Agency Agreement and this Agreement;

n. Monitor receipt by NEGM of amounts due from each Customer in accordance with the terms of the respective Gas Sales Agreements, the Agency Agreement and this Agreement;

o. Remit promptly sums due and owing by Customers to the Suppliers and third parties (including fees due under this Agreement);

p. Maintain such office facilities, personnel and equipment as may be necessary for NEGM to perform its services pursuant to this Agreement;

q. Conduct renegotiation and arbitration as required under the Gas Sales Agreements; and

r. Perform such other acts as may be necessary or appropriate for proper performance, implementation and administration of the Gas Sales Agreements, the Agency Agreement and this Agreement.

3. It is understood and agreed that NEGM shall receive its instructions from and shall report exclusively to Customers in the performance of this Agreement.

4. NEGM shall cause detailed books and records pertaining to the services rendered hereunder to be kept in accordance with generally accepted accounting principles and all applicable regulatory requirements. All such books and records shall be the property of NEGM and shall be kept available for use, audit and inspection by Customers or their authorized representatives during the term of this Agreement and for six years thereafter.

5. As compensation for the services rendered by NEGM pursuant to this Agreement, each Customer shall pay to NEGM each Month a fee equal to the product of of Gas and the effective Daily Contract Quantity under its respective Gas Sales Agreement and the number of Days in such Month, without regard to actual quantities of Gas delivered to such Customer for that Month. NEGM's charge shall be

included in the monthly invoices rendered by NEGM to Customers pursuant to AA Section 4.

6. NEGM may arrange with outside persons or organizations to perform services necessary to the administration of the Gas Sales Agreements, such as legal, consulting, internal and external audits, and bank escrow services. Such services shall be outside the scope of this Agreement and shall be performed pursuant to written agreements between such persons or organizations and NEGM. Any such agreement for outside services shall set forth the rate of compensation and the scope of services to be performed. Each Customer shall be responsible for the charges and related expenses for any such services in the same proportion that its Daily Contract Quantity bears to the sum of the Daily Contract Quantities of all Customers. Such charges and related expenses shall be billed by the provider of such service to NEGM and shall be included in the monthly invoices rendered by NEGM to Customers pursuant to AA Section 4. NEGM shall remit sums due for such services promptly upon receipt of payment therefor from Customers. In no event shall NEGM be required to disburse monies from its own funds for such services.

7. The parties hereto acknowledge that, pursuant to AA Section 4, NEGM is to render monthly invoices to Customers. It is understood and agreed that such monthly invoices shall be prepared and rendered by NEGM to each Customer and shall include amounts due and payable by such Customer to the Suppliers under GSA Section 7.2, to NEGM under Section 5 hereof and to third parties under Section 6 hereof. It is further understood and agreed that deposits made by each Customer pursuant to AA Section 5 shall include all such amounts due and payable by such Customer as set

forth on such monthly invoices, subject to such Customer's right under GSA Section 7.5 to dispute amounts due to the Suppliers . NEGM shall disburse (a) pursuant to AA Section 5, to the Suppliers by the Payment Date the amounts due and payable by each Customer and (b) the amounts due and payable to NEGM and to third parties by the dates due in accordance with Sections 5 and 6 hereof.

8. NEGM shall be indemnified and held harmless by the Customers against any and all claims and demands arising out of the Customers' obligations under their respective Gas Sales Agreements, NEGM's actions as agent under the Agency Agreement or NEGM's performance of services under this Agreement, except for claims and demands caused by NEGM's gross negligence or willful misconduct, including, but not limited to, criminal actions, provided, however, that this indemnification provision must be construed in a manner consistent with Section 10 of this Agreement. Customers shall be indemnified and held harmless by NEGM against any and all claims and demands arising out of NEGM's activities unrelated to its actions as agent under the Agency Agreement or its performance of services under this Agreement and any and all claims and demands arising out of or in any way connected with the Agency Agreement or this Agreement which arise out of NEGM's gross negligence or willful misconduct, including, but not limited to, criminal actions. This Section 8 is not intended to limit the remedies available to a party in the event of a material breach of this Agreement.

9. NEGM may not assign its rights or obligations under this Agreement without the prior written approval of Customers. Each Customer may assign its rights and obligations under this Agreement only in connection with an assignment of its

rights and obligations under its respective Gas Sales Agreement in accordance with the terms thereof.

10. It is understood and agreed that the obligations and liabilities of each Customer under its respective Gas Sales Agreement, the Agency Agreement and this Agreement are several, and not joint or collective.

11. No partnership, joint venture, association or other such relationship among the Customers is created by this Agreement.

12. Nothing in this Agreement limits the ability of NEGM or any Customer to engage in any business, in any transaction or in any relationship with any entity.

13. It is understood and agreed that NEGM shall receive its instructions from, and report to, each Customer with respect to its respective Gas Sales Agreement, but in no event shall have any liability to the Suppliers under the terms of such Gas Sales Agreement.

14. All notices and communications made pursuant to this Agreement shall be in writing, shall be addressed as specified in the Appendix hereto, and shall, if transmitted and confirmed by facsimile, telecopier, or other similar form of telecommunication or by email during normal business hours, be deemed to have been given or made on the day on which so transmitted, and if sent by overnight courier and delivery is confirmed, or if mailed by registered or certified mail, return receipt requested, shall be deemed to have been given or made on the day on which delivered.

15. No waiver by any party of any default in the performance of any provisions of this Agreement shall be construed as a waiver of any other default whether of a like or different nature.

16. This Agreement shall not be amended except by written agreement of all the parties hereto.

17. This Agreement shall be governed and interpreted in accordance with the laws of the State of New York.

18. NEGM agrees to perform all services hereunder in compliance with all applicable laws, rules and regulations. This Agreement shall be subject to all applicable laws, rules and regulations and orders of all governmental and regulatory bodies having jurisdiction and shall terminate to the extent that performance may conflict with any rule, regulation or order of the Securities and Exchange Commission adopted before or after the effective date hereof.

19. This Agreement shall become effective as between NEGM and each Customer as of the date on which such Customer's Gas Sales Agreement(s) becomes effective and, except as hereafter provided in this Section 19, shall continue in full force and effect until the latest termination of a Customer Gas Sales Agreement, provided, however, that this Agreement will not be effective with respect to any Customer as of the termination of its respective Gas Sales Agreement(s). Each Customer shall have the right to terminate or suspend this Agreement, effective thirty (30) days after giving

notice thereof, in the event of (a) a material breach of this Agreement by NEGM not cured by NEGM within thirty (30) days of Customer giving NEGM notice of such breach or (b) three or more material breaches of this Agreement by NEGM over any consecutive sixty (60) day period, provided that such Customer has not caused, or taken any action to contribute to, any such material breach. If any of the Gas Sales Agreements is renewed, this Agreement will be deemed to be renewed as between NEGM and each renewing Customer for the term of each such renewed Gas Sales Agreement.

20. It is agreed that each party hereto will maintain this Agreement, and any proprietary information to which it has access as a consequence of this Agreement, in strict confidence, and that it will not cause or permit disclosure of same to any third party without the express written consent of the other parties or, in the case of proprietary information, the parties owning such information, provided that disclosure by a party is permitted in the event and to the extent disclosure is required (1) in the course of routine audit procedures or to enforce the provisions of this Agreement or (2) by a court or agency exercising jurisdiction over the subject matter hereof, by order or regulation or law, provided that in the event a party becomes aware of a judicial or administrative proceeding that has resulted or may result in such a requirement or need to disclose, it shall (A) so notify the affected parties immediately, (B) utilize all reasonably available means to limit the scope of the required disclosure, and (C) take all actions reasonably necessary to prevent disclosure to the public as a result of disclosure to the court or administrative body.

21. This Agreement may be executed in separate counterparts and all of such counterparts taken together shall be deemed to constitute one and the same instrument.

IN WITNESS WHEREOF, the Parties have executed this Agreement.

NORTHEAST GAS MARKETS L.L.C.

Per: Michael S. Lucy

Michael S. Lucy 2.18.04

President

BAY STATE GAS COMPANY

Per:____________________

____

Name Printed

____

Title

ENERGYNORTH NATURAL GAS, INC. d/b/a KeySpan Energy Delivery New England

Per: Nickolas Stavropoulos

NICKOLAS STAVROPOULOS

Name Printed

PRESIDENT

Title

THE BERKSHIRE GAS COMPANY

Per:____________________

____

Name Printed

____

Title

ESSEX GAS COMPANY d/b/a KeySpan Energy Delivery New England

Per: Nickolas Stavropoulos

NICKOLAS STAVROPOULOS

Name Printed

PRESIDENT

Title

BOSTON GAS COMPANY d/b/a KeySpan Energy Delivery New England

Per: *[signature]*

NICKOLAS STAVROPOULOS
Name Printed

PRESIDENT
Title

KEYSPAN GAS EAST CORPORATION d/b/a KeySpan Energy Delivery Long Island by its agent KeySpan Utility Services LLC

Per:____________________________

____
Name Printed

____
Title

THE BROOKLYN UNION GAS COMPANY d/b/a KeySpan Energy Delivery New York by its agent KeySpan Utility Services LLC

Per:____________________________

____
Name Printed

____
Title

NORTHERN UTILITIES, INC.

Per:____________________________

____
Name Printed

____
Title

CONNECTICUT NATURAL GAS CORPORATION

Per:____________________________

____
Name Printed

____
Title

Appendix 1

Northeast Gas Markets LLC
Michael S. Lucy
President
100 Cummings Center
Suite 457G
Beverly, MA 01915-6132
Tel. #: 978.922.1194
Fax #: 978.922.1195

KeySpan Energy Delivery New York
KeySpan Energy Delivery Long Island
John Allocca
Senior Counsel
KeySpan Gas
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Tel #: 718.403.2009
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KeySpan Energy Delivery New England
Elizabeth Arangio
Director, Gas Supply
201 Rivermoor Street
West Roxbury, MA 02132
Tel. #: 617.723.5512 ext. 4730
Fax #: 617.323.5372

Bay State Gas
Northern Utilities
F. Chico DaFonte
Director, Energy Supply Services
300 Friberg Parkway
Westborough, MA 01581
Tel. #: 508.836.7253
Fax #: 508.870.2294

Connecticut Natural Gas Corporation
John Rudiak
10 State House Square, 6th Floor
Hartford, CT 06144
Tel #: 860-727-3075
Fax #: 860-727-3387

Berkshire Gas
Karen Zink
Vice President
115 Cheshire Road
Pittsfield, MA 01201
Tel #: 413.445.0244
Fax #: 413.443.0546